

**Advanced Inhalation Rituals Bidco
Limited (formerly United Brands of
Shisha Bidco Limited)**

Annual report and financial statements

Registered number 12227599

For the year ended 31 December 2021



Advanced Inhalation Rituals Bidco Limited (formerly United Brands of Shisha Bidco Limited)
Annual report and financial statements
For the year ended 31 December 2021

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Strategic report

The Directors present their Strategic Report for the period ended 31 December 2021.

The company changed its name to Advanced Inhalation Rituals Bidco Limited on 19 May 2022.

This company is an intermediate holding company with direct investments in its subsidiary undertakings. Incorporated on 25 September 2019 as part of the newly established UK holding structure for the transfer of Al Eqbal Investment Co. Plc ("EICO") following its delisting from the Jordanian stock exchange. Therefore, the comparative period presented in these financial statements is from inception on 25 September 2019 till 31 December 2020.

BUSINESS REVIEW

The Company principally operates as an intermediate holding company within the AIR group (formerly United Brands of Shisha group) of companies.

The AIR group (formerly United Brands of Shisha group) specialises in the manufacture and distribution of molasses and consists of 12 manufacturing and sales companies based in UK, Poland, Germany, Egypt, UAE, KSA, and the U.S. The group's activities are the manufacture and sale of molasses and associated accessories.

The company did not trade during the period but did instead serve its purpose as an intermediate holding company with intercompany transactions taking place. A review of the company's transactions is provided below although a review of the company's operations is not relevant in isolation of a review of the operations of the AIR group to which it belongs ("the group"), which is set out in the consolidated financial statements of Advanced Inhalation Rituals Midco Limited (formerly United Brands of Shisha Midco Limited) and AIR Limited.

The company recorded a net interest expense on intercompany balances of \$60,896,000, further administration costs incurred in the year of \$16,000, and revaluation of foreign currency balances resulting in a loss of \$8,000.

As a result of the above, the company reported a net loss before tax of \$60,920,000.

Group restructuring

The new UK holding structure was established in the prior period for the transfer of Al Eqbal Investment Co. Plc ("EICO") following its delisting from the Jordanian stock exchange on 5 November 2020.

The total consideration for the transfer of shares in EICO to the company was \$1,184,987,000. Following the EICO acquisition, a group restructuring commenced to transfer the shareholdings in certain companies from under EICO to be directly owned by the company. The consideration for the purchase of the shares relating to the transfer of the remaining group entities amounted to \$10,950,000. Total consideration recognised as the investment in subsidiary undertakings was \$1,195,937 (see note 5).

For the purpose of the group restructuring, the company entered into an agreement with Al Fakher Holding for Tobacco Trading & Agencies LLC, a company incorporated in the Cayman Islands, to purchase the shareholdings in the following companies where the final completion would take place upon the completion of the sale and purchase of the shares in all of the companies:

- (i) The entire corporate capital of Al Fakher Tobacco FZE (\$50,000);
- (ii) The entire issued share capital of AIR IP Holdings Limited (formerly AF Development Holding Limited) (1,000 shares of \$1.00 each);
- (iii) The entire issued share capital of AIR Group Ventures Limited (formerly Pioneer Venture Group Limited) (50,000 shares of \$1.00 each);
- (iv) The entire issued share capital of Al Fakher International Co (100 shares of \$1.00 each);
- (v) The entire issued share capital of Al Fakher Tobacco Factory Tutun Mamulleri A.S. (100 shares of TL1,000 each).

The completion under the re-organisation agreement, where Al Fakher Holding for Tobacco Trading & Agencies LLC's shareholdings in the 5 subsidiaries have all been transferred, is agreed by the parties to be 3 February 2021. This is following the transfer of share capital of Al Fakher Tobacco Factory Tutun Mamulleri A.S. which occurred on 20 January 2021.

Strategic report (continued)

Principal risks and uncertainties

As an intermediate holding company, the risks of the company are largely related to the recoverability of investment in subsidiaries, and this risk is impacted by the same matters which impact the wider AIR group (formerly United Brands of Shisha group).

Principal among these are the following factors that have the ability to impact the future trading success of the business.

Liquidity risk - The group is cash generative as the majority of customer payment terms are cash in advance. Furthermore, the group has secured more favorable payment terms with most major suppliers.

Foreign currency risk - Foreign currency risk is minimal as the bulk of the group's revenues and costs are either in USD or in currencies fixed to the USD. There is limited exposure to the EUR/USD rates albeit is partly naturally hedged by EUR revenues.

Coronavirus pandemic - The group demonstrated resilience and robustness throughout 2021 despite a COVID-19 backdrop throughout the financial year. The Group experienced an initial downturn in orders in some markets as a result of the COVID-19 pandemic. These were mainly the markets where shisha consumption is primarily in lounges that were closed during lockdowns. However, this was largely offset by an increase in home consumption and online sales. In the case of more lockdowns related to new variants the Group is well prepared to cope as was demonstrated in 2020 and 2021. Through a comprehensive and strict COVID protocol, the Group was able to continue to operate its factories and supply its customers.

Customer credit risk - The Group has limited credit risk as most customers are on cash in advance payment terms. The Group has also entered into a credit insurance agreement covering 75% of the open account customers in KSA and UAE.

Regulatory risk - Sudden changes to regulation around our products in some markets may have an adverse effect on our business. This is managed pro-actively through engagement and knowledge sharing with relevant authorities by our in-house Corporate and Regulatory affairs "CORA" and Legal team as well as advisors when required.

Tax risk - In some jurisdictions we face unexpected tax claims from time to time. These can have a negative impact on our business. Our engagement with tax authorities, revisions to our business model and our improving country mix (growth in revenues coming from less volatile jurisdictions) mitigate this risk.

Competitor risk - We face competition in most of our markets. Non-compliance to regulation by competitors and aggressive pricing can impact our ability to get our fair share of a market. The strength of the Al Fakher brand (global market leader), continued investment marketing activities and innovation as well as pro-active engagement with authorities help mitigate this risk.

By order of the board

DocuSigned by:

9425112557694FF...
Bassem Lotfy
Director

C/O Legalinx Limited
3rd Floor, 207 Regent Street
London
W1B 3HH

28 September 2022

Advanced Inhalation Rituals Bidco Limited (formerly United Brands of Shisha Bidco Limited)
Annual report and financial statements
For the year ended 31 December 2021

Directors' report

The directors present their Annual report and financial statements of Advanced Inhalation Rituals Bidco Limited (formerly United Brands of Shisha Bidco Limited) ("the Company") for the year ended 31 December 2021.

The Company was incorporated on 25 September 2019 as part of the newly established UK holding structure for the transfer of Al Eqbal Investment Co. Plc ("EICO") following its delisting from the Jordanian stock exchange. Therefore, the comparative period presented in these financial statements is from inception on 25 September 2019 till 31 December 2020.

Principal activity

The company is a holding company. This company is the incorporated entity for the acquisition of Al Eqbal Investment Co. Plc ("EICO") as part of the above transaction. The AIR group specialises in the manufacture and distribution of molasses.

Results and dividends

The loss for the period, after taxation, amounted to \$49,185,000.

No dividends have been paid in the period.

Directors

The directors who held office during the year were as follows:

T Saeed
A D Socha (resigned 25 May 2022)
M Orr
B Lotfy (appointed 8 June 2022)

Disclosure of information to auditor

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the board

DocuSigned by:

9425112557694FF...
Bassem Lotfy
Director

C/O Legalinx Limited
3rd Floor
207 Regent Street
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28 September 2022

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' 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 they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

3 Assembly Square
Britannia Quay,
Cardiff CF10 4AX
United Kingdom

Independent auditor's report to the members of Advanced Inhalation Rituals Bidco Limited (formerly Advanced Inhalation Rituals Bidco Limited (formerly United Brands of Shisha Bidco Limited))

Opinion

We have audited the financial statements of Advanced Inhalation Rituals Bidco Limited (formerly United Brands of Shisha Bidco Limited) ("the Company") for the year ended 31 December 2021 which comprise the Profit and Loss Account and Other Comprehensive income, Balance Sheet, Statement of Changes in Equity and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the Company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or to cease its operations, and as they have concluded that the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Company's business model and analysed how those risks might affect the Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Company will continue in operation.

Independent auditor's report to the members of Advanced Inhalation Rituals Bidco Limited (formerly Advanced Inhalation Rituals Bidco Limited (formerly United Brands of Shisha Bidco Limited)) *(continued)*

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Company's policies and procedures to prevent detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board meeting minutes.
- Using analytical procedures to identify any unusual or unexpected relationships.

As required by auditing standards, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are no revenue transactions. We did not identify any additional fraud risks.

We performed procedures including agreeing all accounting entries in the period to supporting documentation.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors (as required by auditing standards), and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

The company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

This company, as a holding company, is not subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Independent auditor's report to the members of Advanced Inhalation Rituals Bidco Limited (formerly Advanced Inhalation Rituals Bidco Limited (formerly United Brands of Shisha Bidco Limited)) (continued)

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their statement set out on page 4, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities

The purpose of our audit work and to whom we owe our responsibilities

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.



Jeremy Thomas (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
3 Assembly Square
Britannia Quay
Cardiff
CF10 4AX

3rd October 2022

Advanced Inhalation Rituals Bidco Limited (formerly United Brands of Shisha Bidco Limited)
Annual report and financial statements
For the year ended 31 December 2021

Profit and Loss Account
For the year ended 31 December 2021

		For the year ended 31 December 2021 \$000	For the period from 25 September 2019 to 31 December 2020 \$000
	<i>Note</i>		
Administrative expenses		(16)	(1)
Other operating costs		(8)	-
Operating loss before significant non-recurring items		(24)	(1)
Administrative significant non-recurring items	2	-	(13,122)
Operating loss		(24)	(13,123)
Interest payable and similar expenses	4	(60,896)	(9,497)
Loss before taxation		(60,920)	(22,620)
Taxation	6	11,735	-
Loss for the financial period		(49,185)	(22,620)
<i>Other comprehensive income:</i>			
Other comprehensive income for the period		-	-
Total comprehensive loss for the period		(49,185)	(22,620)

The accompanying notes form part of the financial statements.

Advanced Inhalation Rituals Bidco Limited (formerly United Brands of Shisha Bidco Limited)
Annual report and financial statements
For the year ended 31 December 2021

Balance Sheet
at 31 December 2021

	<i>Note</i>	2021 \$000	2020 \$000
Fixed assets			
Investments	5	1,195,937	1,195,937
Current assets			
Debtors	7	11,738	11,679
Cash at bank and in hand		3,848	
		<u>15,586</u>	<u>11,679</u>
Creditors: amounts falling due within one year	8	(1,283,328)	(1,230,236)
Net current liabilities		<u>(1,267,742)</u>	<u>(1,218,557)</u>
Total assets less current liabilities and net liabilities		<u>(71,805)</u>	<u>(22,620)</u>
Capital and reserves			
Called up share capital	10	-	-
Profit and loss account		(71,805)	(22,620)
Shareholders' deficit		<u>(71,805)</u>	<u>(22,620)</u>

These financial statements were approved by the board of directors on 28 September 2022 and were signed on its behalf by:

DocuSigned by:

Bassem Lotfy

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Bassem Lotfy

Director

Company registered number: 12227599

The accompanying notes form part of the financial statements.

Advanced Inhalation Rituals Bidco Limited (formerly United Brands of Shisha Bidco Limited)
Annual report and financial statements
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Statement of Changes in Equity

	Share capital \$000	Retained earnings \$000	Total equity \$000
On incorporation - 25 September 2019	-	-	-
Total comprehensive income for the period			
Loss for the period	-	(22,620)	(22,620)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	(22,620)	(22,620)
Balance as of 31 December 2020	-	(22,620)	(22,620)
Balance at 1 January 2021	-	(22,620)	(22,620)
Total comprehensive income for the period			
Loss for the year	-	(49,185)	(49,185)
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	(49,185)	(49,185)
Balance as of 31 December 2021	-	(71,805)	(71,805)

The company has called up share capital of \$1. This is rounded to zero in the above financial statements.

The accompanying notes form part of the financial statements.

Notes

(forming part of the financial statements)

1 Accounting policies

Advanced Inhalation Rituals Bidco Limited (formerly United Brands of Shisha Bidco Limited) (the "Company") is a private company incorporated, domiciled and registered in England in the UK. The registered number is 12227599 and the registered address is C/O Legalinx Limited 3rd Floor 207 Regent Street London W1B 3HH.

Basis of preparation

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

These financial statements were 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 ("UK-Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate parent undertaking, AIR Limited (formerly UBOS TopCo Limited) includes the Company in its consolidated financial statements. The consolidated financial statements of AIR Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from its registered office, 22 Grenville Street, St Helier, JE4 8PX, Jersey.

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

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

As the consolidated financial statements of the Company's intermediate parent undertaking, United Brands of Shisha Midco Limited, include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Measurement convention

The financial statements are prepared on the historical cost basis.

Going concern

Notwithstanding net liabilities of \$71,805,000 as at 31 December 2021 and a loss for the year then ended of \$49,185,000 the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The directors have prepared cash flow forecasts for a period of at least 12 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downside scenarios and its financial resources, the company will have sufficient funds, through funding from its parent company, Advanced Inhalation Rituals Midco Limited (formerly United Brands of Shisha MidCo Limited), to meet its liabilities as they fall due for that period.

Notes (continued)

1 Accounting policies (continued)

Going concern (continued)

Those forecasts are dependent on Advanced Inhalation Rituals Midco Limited (formerly United Brands of Shisha MidCo Limited) not seeking repayment of the amounts currently due to it, which at 31 December 2021 amounted to \$1,268,886,000, not paying amounts due to subsidiaries which at 31 December 2021 amounted to \$14,442,000 and providing additional financial support as required during that period. Advanced Inhalation Rituals Midco Limited (formerly United Brands of Shisha Midco Limited) has indicated its intention to continue to make available such funds as are needed by the company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts.

As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support 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 the financial statements and therefore have prepared the financial statements on a going concern basis.

Expenses

Interest receivable and Interest payable

Interest payable and similar expenses include interest payable, finance expense on shares classified as liabilities and finance expense on lease liabilities recognised in profit or loss using the effective interest method, unwinding of the discount on provisions, and net foreign exchange losses that are recognised in the profit and loss account (see foreign currency accounting policy). Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that takes a substantial time to be prepared for use, are capitalised as part of the cost of that asset.

Other interest receivable and similar income includes interest receivable on funds invested, interest income on lease receivables and net foreign exchange gains.

Interest receivable and interest payable is recognised in profit or loss as it accrues, using the effective interest method. Dividend income is recognised in the profit and loss account on the date the entity's right to receive payments is established. Foreign currency gains and losses are reported on a net basis.

Impairment of non-financial assets excluding stocks, and deferred tax assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes (continued)

1 Accounting policies (continued)

Foreign currency

Transactions in foreign currencies are translated to the Company's functional currencies at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

Provisions

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Financial instruments

(i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Investments in subsidiaries are carried at cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Advanced Inhalation Rituals Bidco Limited (formerly United Brands of Shisha Bidco Limited)
Annual report and financial statements
For the year ended 31 December 2021

Notes (continued)

2 Significant non-recurring items, expenses and auditor's remuneration

The Company presents certain items as significant non-recurring.

	2021 \$000	2020 \$000
Transaction related costs – professional fees/other fees	-	13,122

Transaction related costs in the prior year include professional fees and other items related to the take private transaction in 2020 which involved the transfer of the group to the newly incorporated UK holding structure and delisting from the Jordanian stock exchange.

Fees payable to the Company's auditor for the audit of the Company's financial statements were \$15,000 (2020: \$15,000) which has been borne by another Group company. The disclosure of fees payable to the auditor for other (non-audit) services has not been made because these have been disclosed in the consolidated financial statements of the Company's ultimate holding company.

3 Staff costs and directors' remuneration

The company had no employees in both the current and prior period.

The Directors of the Company are remunerated by other entities within the Group. The Directors believe that the value of their services in respect of the Company in the current period were negligible given the non-trading nature of the Company, and therefore, have not been disclosed.

4 Interest payable and similar expenses

	2021 \$000	2020 \$000
Interest expense on intercompany balances	60,896	9,497
	<u>60,896</u>	<u>9,497</u>

5 Fixed asset investments

	Shares in group undertakings \$000
<i>Cost</i>	
At beginning of year	1,195,937
At end of year	<u>1,195,937</u>

Shares in group undertakings represents the company's investments in its 100% owned subsidiaries:

- Al Eqbal Investment Co. LLC transferred on 5 November 2020;
- Al Fakher Tobacco FZE transferred on 24 December 2020;
- AIR IP Holdings Limited (formerly AF Development Holding Limited) transferred on 21 December 2020;
- AIR Group Ventures Limited (formerly Pioneer Venture Group Limited) transferred on 9 December 2020;
- Al Fakher International Co transferred on 9 December 2020;
- Al Fakher Tobacco Factory Tutun Mamulleri A.S. transferred on 20 January 2021.

As a final step in the group reorganisation commenced in the prior period, on 20 January 2021, the shareholder of group entity Al Fakher Tobacco Factory Tutun Mamulleri A.S., transferred the entire issued share capital of 100 shares worth TL1,000 each, to the Company. The group entity is non-trading and was previously fully impaired and therefore no consideration was paid, and no change has arisen in the value of shares in group undertakings in the current year.

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5 Fixed asset investments (continued)

Details of the company's directly and indirectly held subsidiary undertakings are set out below:

	Place of business	Principal activity	Class of shares held	Ownership	
				2021	2020
Direct Holdings:					
Al Eqbal Investment Co. LLC	Jordan	Non-trading	Ordinary	100%	100%
Al Fakher Tobacco Factory FZE	UAE	Tobacco manufacturing + trading	Ordinary	100%	100%
AIR IP Holdings Limited	UAE	Non-trading	Ordinary	100%	100%
AIR Group Ventures Limited (formerly Pioneer Venture Group Limited)	UAE	Non-trading investment	Ordinary	100%	100%
Al Fakher International Co.	Cayman Islands	Non-trading	Ordinary	100%	100%
Al Fakher Tobacco Factory Tutun Mamulleri AS	Turkey	Non-trading	Ordinary	100%	-
Indirect Holdings:					
Al Fakher for Tobacco Trading and Agencies LLC	Jordan	Trading	Ordinary	100%	100%
Al Fakher for Tobacco Trade & Agencies Co. Ltd	Jordan - Aqaba	Aqaba branch – under liquidation	Ordinary	100%	100%
Al Fakher for Tobacco Trading and Agencies	Cayman Islands	Non-trading	Ordinary	100%	100%
Spectrum International for Renewable Energy*	Jordan	Renewable energy	Ordinary	100%	100%
Al Fakher Tobacco FZE (Ajman Free Zone)	UAE	Tobacco manufacturing + trading	Ordinary	100%	100%
Al Fakher Tobacco Factory FZE	UAE	Tobacco manufacturing & trading	Ordinary	100%	100%
Al Fakher Tobacco Trading LLC	UAE	Tobacco trading + import and export	Ordinary	49%	49%
Al Fakher Al Dhahabi General Trading LLC	UAE	In liquidation	Ordinary	100%	100%
Al Fakher Tobacco Factory Tutun Mamulleri AS	Turkey	Non-trading	Ordinary	-	100%
AIR Global Brands Limited (formerly AF Global Brands Limited)	UK	Tobacco distribution	Ordinary	100%	100%
Qameh Al Fakher Trading Est.	KSA	Tobacco distribution	Ordinary	0%	0%
Al Fakher Pioneers for Trading	KSA	Tobacco distribution	Ordinary	100%	n/a
Al Fakher Distribution Germany GmbH	Germany	Import and export Molasses	Ordinary	100%	100%
AF Unity Labs GmbH	Germany	Non-trading	Ordinary	100%	100%
Global Arab Trading and Export	Egypt	Import and distribution	Ordinary	100%	100%
Al Fakher Trading Hong Kong Limited	Hong Kong	Non-trading investment	Ordinary	100%	100%
AIR Holding USA, Inc.	USA	Holding company	Ordinary	100%	100%
AIR Distribution USA, Inc.	USA	Shisha products online sales	Ordinary	100%	100%
Romman Inc.	USA	Shisha products online sales	Ordinary	80%	80%
AN3RRZ, LLC	USA	Tobacco manufacturing and trading	Ordinary	80%	80%
Al Fakher Factory Sp. Zo.o.	Poland	Tobacco manufacturing and trading	Ordinary	100%	100%
Al Fakher Tobacco LLC**	Egypt	Import& export tobacco and non-tobacco	Ordinary	100%	100%
United Brands of Shisha Private Limited	India	Tobacco distribution	Ordinary	100%	100%

* Spectrum International for Renewable Energy was disposed on 6 September 2022.

** Al Fakher Tobacco LLC was disposed on 16 May 2022.

Notes (continued)

5 Fixed asset investments (continued)

Registered office addresses:

- Al Eqbal Investment Co. PLC: Building Number 49, Shari'a College Street, Jabal Allwebdeh, Amman 11191, Jordan
- Al Fakher for Tobacco Trading and Agencies LLC: 3rd Floor, Building Number 1, Barakat Complex, Zahran-8, Amman, Jordan
- Al Fakher for Tobacco Trade & Agencies Co. Ltd: 3rd Floor, Building Number 1, Barakat Complex, Zahran-8, Amman, Jordan
- Al Fakher Holding for Tobacco Trading and Agencies: Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1 1104, Cayman Islands
- Spectrum International for Renewable Energy: 3rd Floor, Building no. 1, Plot 211, Zone 20, Zahran-8, Amman, Jordan
- Al Fakher Tobacco FZE (Ajman Free Zone): B.C. 300183, Ajman Free Zone, United Arab Emirates
- Al Fakher Tobacco Factory FZE: Ajman Free Zone, Gate 2, P.O. Box 20037, Ajman, United Arab Emirates
- Al Fakher Tobacco Trading LLC: Ajman Industrial 1, Land No. 3, United Arab Emirates
- Al Fakher Al Dhahabi General Trading LLC: Corner No. 02, Ajman Industrial 1, Ajman, Jordan
- Al Fakher Tobacco Factory Tutun Mänulleri A.S: Merkez Mah. 29 Ekim Cad. İstanbul Vizyon Park B3, Blok: 8, No:121, Dış: 9/1, İç: 803, Yenibosna, Bahçelievler, İstanbul, Turkey
- AIR Group Ventures Limited (formerly Pioneer Venture Group Limited): Unit OT 20-33, Level 20, Central Park Offices, Dubai International Financial Center, Dubai, United Arab Emirates
- AIR Global Brands Limited (formerly AF Global Brands Limited): 20 Eastbourne Terrace, Paddington, LONDON, W2 6LG, United Kingdom
- Qameh Al Fakher Trading Est: Warehouse 255, Arafat St., Shafa District, Riyadh City, KSA
- Al Fakher Pioneers for Trading: 8407 Said Bin Zaqr – Al Aziziyah District, Unit No 12, Jeddah, KSA
- Al Fakher Distribution Germany GmbH: Willy-Brandt-Straße 23-25, Hamburg, 20457, Germany
- AF Unity Labs GmbH: Willy-Brandt-Straße 23-25, c/o Al Fakher Distribution Germany GmbH, Hamburg, 20457, Germany
- Global Arab Trading and Export: 27 Zohny st., ElZaher, Cairo, Egypt
- Al Fakher Trading Hong Kong Limited : 26th Floor, Three Exchange Square, 8 Connaught Place Central, Hong Kong
- AIR Distribution USA, Inc. (formerly Al Fakher Holding USA): 14931 Gwenchris Ct, Paramount, California, 90723, United States
- AIR Distribution USA, Inc. (formerly AF Distribution USA, Inc.): 14931 Gwenchris Court, Paramount, California, CA 90723, USA
- Romman Inc.: 3731 Drossett Drive, Austin, Texas, 78744, USA
- AN3RRZ, LLC: 3731 Drossett Drive, Austin, Texas, 78744, USA
- Al Fakher Factory Sp Zo.o: Al. Jerozolimskie 98/VIp, 00-807 Warsaw, Poland
- Al Fakher Tobacco LLC: Plot No. 28, 3rd industrial Area, Badr City, Cairo, Egypt
- United Brands of Shisha India Private Limited: Flat 501, J N Road, Mulund West, Mumbai, Maharashtra, 400080, India
- Al Fakher International Co.: Maples, P. O. Box: 309, Ugland House, Grand Cayman, KYI-1104, Cayman Islands
- AIR IP Holdings Limited (formerly AF Development Holding Limited): Unit OT 20-33, Level 20, Central Park Offices, Dubai, United Arab Emirates

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Notes (continued)

6 Taxation

Recognised in the profit and loss account

	2021 \$000	2020 \$000
<i>UK corporation tax</i>		
Group relief receivable	10,192	-
Group relief receivable – adjustment in respect of prior year	1,543	-
	<hr/>	<hr/>
Total current tax	11,735	-
<i>Deferred tax (see note 9)</i>		
Origination and reversal of temporary differences	-	-
Recognition of previously unrecognised tax losses	-	-
	<hr/>	<hr/>
Total deferred tax	-	-
	<hr/>	<hr/>
Total tax	11,735	-
	<hr/>	<hr/>

Reconciliation of effective tax rate

	2021 \$000	2020 \$000
Loss for the period	(49,185)	(22,620)
Total tax credit	(11,735)	-
	<hr/>	<hr/>
Loss excluding taxation	(60,920)	(22,620)
Tax using the UK corporation tax rate of 19% (2020: 19%)	(11,575)	(4,298)
Non-deductible expenses	-	2,494
Group relief receivable – adjustment in respect of prior year	(1,543)	-
Group relief surrendered for nil consideration	-	1,543
Current year losses for which no deferred tax asset was recognised	1,383	261
	<hr/>	<hr/>
Total tax	(11,735)	-
	<hr/>	<hr/>

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023 and was substantively enacted on 24 May 2021. This will potentially increase the company's future current and deferred tax balances accordingly.

On 23 September 2022 the Chancellor of the Exchequer announced that the UK corporation tax rate will remain at 19% from 1 April 2023, reversing the previously enacted measure to increase the rate to 25%. This reversal in the tax rate from 1 April 2023 has not been enacted or substantively enacted and accordingly has no impact on the tax balances at 31 December 2021.

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7 Debtors

	2021 \$000	2020 \$000
Amounts owed by group undertakings	-	11,045
Amounts owed by group undertakings – group relief receivable	11,735	
Other debtors	3	634
	<u>11,738</u>	<u>11,679</u>

Other debtors represent the recoverable VAT on services received by the company.

8 Creditors: amounts falling due within one year

	2021 \$000	2020 \$000
Bank overdraft	-	1
Amounts owed to group undertakings	1,283,328	1,226,879
Accruals	-	3,356
	<u>1,283,328</u>	<u>1,230,236</u>

In the prior period, the company entered into a loan agreement with its direct parent, Advanced Inhalation Rituals Midco Limited (formerly United Brands of Shisha Midco Limited), to fund the acquisition of the Al Eqbal Investment Company and its subsidiaries. The loan, including accrued interest is subject to interest at a rate of 5% per annum. The loan, including accrued interest and set-off of other receivable amounts in the year, had a balance outstanding at the balance sheet date of \$1,268,886,483. Although the loan is not expected to be settled within 12 months, it is repayable on its maturity date of 4 November 2026 or on demand and therefore is included in amounts due within one year.

Further amounts owed to group undertakings of \$14,442,000 is primarily due to group subsidiary entity, Al Fakher Tobacco Factory FZE relating to amounts advanced to the company. This balance has no fixed repayment term, and no interest is applied.

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9 Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets 2021 \$000	Liabilities 2021 \$000	Net 2021 \$000
Tax value of loss carry-forwards	-	-	-
Tax (assets) / liabilities	-	-	-
Net of tax liabilities/(assets)	-	-	-
Net tax (assets) / liabilities	-	-	-

Movement in deferred tax during the year

	1 January 2021 \$000	Recognised in income \$000	Recognised in equity \$000	Included in disposal group \$000	Acquired in business combination \$000	31 December 2021 \$000
Tax value of loss carry-forwards utilised	-	-	-	-	-	-

Available tax losses carried forward at 31 December 2021 are \$8,658,000 (2020: \$1,374,000). No deferred tax asset has been recognised in respect of these tax losses at 31 December 2021 (2020: \$nil) due to uncertainty regarding its recoverability.

10 Capital and reserves

Share capital

	Ordinary Shares 2021	2020
In issue at beginning of accounting period	1	1
In issue at 31 December – fully paid	1	1
	\$	\$
<i>Allotted, called up and fully paid</i>		
Ordinary shares of \$1 each	1	1
	1	1

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

On incorporation on 25 September 2019, the Company issued one \$1 ordinary share for a consideration of \$1 paid in full.

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11 Related parties

	Receivables outstanding 2021 \$000	Creditors outstanding 2021 \$000	Receivables outstanding 2020 \$000	Creditors outstanding 2020 \$000
Al Fakher Holding for Tobacco Trading & Agencies LLC	-	-	-	(10,950)
Advanced Inhalation Rituals Midco Limited	-	(1,268,887)	11,045	(1,205,529)
Al Fakher Tobacco Factory FZE	-	(14,440)	-	(10,400)
Advanced Inhalation Rituals Holdco Limited	-	(1)	-	-
	-	(1,283,328)	11,045	(1,226,879)

In the prior period, the company entered into a loan agreement with its direct parent, Advanced Inhalation Rituals Midco Limited (formerly United Brands of Shisha Midco Limited), to fund the acquisition of the Al Eqlal Investment Company and its subsidiaries. The loan, including accrued interest is subject to interest at a rate of 5% per annum. The loan, including accrued interest and set-off of other receivable amounts in the year, had a balance outstanding at the balance sheet date of \$1,268,886,483. Although the loan is not expected to be settled within 12 months, it is repayable on its maturity date of 4 November 2026 or on demand and therefore is included in amounts due within one year.

During the year, parties have agreed to amend and restate the principal intercompany loan by reallocating \$10,950,283 previously owed to Al Fakher Holding for Tobacco Trading & Agencies LLC, \$2,550,000 previously owed to Private Venture Group Limited and setting off \$11,039,000 of other receivable balances due to the company from Advanced Inhalation Rituals Midco Limited. As at 31 December 2021, the resulting loan principal is \$1,198,493,000 plus accrued interest of \$70,393,000.

Further amounts owed to group undertakings of \$14,442,000 is primarily due to group subsidiary entity, Al Fakher Tobacco Factory FZE relating to amounts advanced to the company. This balance has no fixed repayment term, and no interest is applied.

12 Ultimate parent company and parent company of larger group

The Company is a subsidiary undertaking of Advanced Inhalation Rituals Midco Limited (formerly United Brands of Shisha Midco Limited).

The ultimate controlling party is Kingsway Capital Partners Limited.

The largest group in which the results of the Company are consolidated is that headed by AIR Limited registered office address: 22 Grenville Street, St Helier, JE4 8PX, Jersey. The consolidated financial statements of AIR Limited (formerly UBOS TopCo Limited) are available from the registered office.

13 Subsequent events

Subsequent to the balance sheet date, there are no transactions which have an impact on the financial statements.