

Snowball Midco Limited

Report and Financial Statements

Year Ended

31 December 2020

Company Number 12000755



Snowball Midco Limited

Company Information

Directors	K McDonald M Khan G W B Lambert T T Hall
Registered number	12000755
Registered office	71-75 Shelton Street London Greater London WC2H 9JQ
Independent auditor	BDO LLP 55 Baker Street London W1U 7EU

Snowball Midco Limited

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Snowball Midco Limited

Strategic Report for the Year Ended 31 December 2020

The directors present their strategic report together with the audited financial statements for the year ended 31 December 2020.

Business review

As an intermediate holding company of the Jones Knowles Ritchie ('JKR') group, the directors do not review the company's performance in isolation but together with the results of the trading companies. For a fair review of the group's business including the result of the company see page 3 in the Snowball Topco Limited consolidated accounts which are available from Companies House.

Principal risks and uncertainties

As a holding company of the JKR group the principal risks and uncertainties to which the company is exposed are over the performance of its investments in the JKR group. These are driven by the same underlying risks to which the group as a whole is exposed. For a description of these please see page 3 in the Snowball Topco consolidated accounts which are available from Companies House.

Going concern

The company meets its day-to-day working capital requirements through ongoing operating cash flows, and access to cash from other Group entities from bank loans and also Loan Notes provided by funds managed by Growth Capital Partners LLP ("GCP"). There is also access to a revolving £3m facility should it be required. The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities. The banking covenants have been modelled in all scenarios and the directors are comfortable that in all likely scenarios, the bank covenants will not be breached. This forecasting goes out to 31 December 2022, and considered a base case model, and various sensitivities modelling various downturns in performance. The GCP Loan Notes also include covenants. Agreement has been obtained from GCP confirming there will be no withdrawal of this funding, should a breach of these covenants occur in the next 12 months.

Whilst COVID-19 still generates significant uncertainty, following a year of living with the pandemic JKR has a much better understanding of how our customers and wider business are impacted and respond to the virus and associated restrictions, and is better able to plan for such eventualities. The company has carried out detailed reverse stress testing in order to consider how much forecasts have to reduce by in order to cause cash constraints, and also to consider the likelihood of this scenario occurring. The company has also looked at the financial covenants around both its bank facility and investor loan notes, to ensure there is not a breach likely to occur in this forecast period to 31 December 2022. In light of this analysis, and also in light of the support letter received around the investor loan notes, the directors are comfortable that a scenario which would cause these cash restrictions is deemed to be remote and therefore not a realistic outcome to consider.

Taking account of this, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The company has therefore obtained a support letter from the parent entity providing support for a period of not less than 15 months from the date of approval of these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Snowball Midco Limited

Strategic Report (continued) for the Year Ended 31 December 2020

Section 172 Statement

JKR is dependent on the support of all stakeholders. Building positive relationships with all stakeholders assists JKR delivering successfully on its plans set out in the strategic report.

Decision making for certain matters is devolved to the global leadership team and management of the offices in London, New York and Shanghai, whilst group level strategic decision making is reserved by the Board. The Board set the overall strategy for the group which is then implemented by the global leadership team and office management teams. All decision making is undertaken with the impacts on key stakeholders in mind. Where appropriate, affected stakeholder groups are consulted before decisions are made. The Board meet regularly with the office management teams and receive regular reporting in order to understand performance and local leadership decisions to ensure that due consideration has been given to the needs of all stakeholder groups.

Shareholders

The Group is owned by Management and funds managed by Growth Capital Partners LLP ('GCP'). Both groups are represented on the Board of directors and are directly involved in the decision making of the Group. The Board receives regular reporting on performance and other matters allowing these groups to be informed and involved in decision making on an ongoing basis.

Colleagues

Our employees are what make JKR, whether this be the creative talent that produce the unique content and insights that JKR is known for, the account teams that foster the relationships with our customers or the wider team that enables all this to happen. Engaging and retaining our talent is a key priority for the business. We are therefore careful to consider the views of all our colleagues in decision making. Traditionally this has been done in person through regular all hands meetings, comms newsletters and other channels. Moving forward the Group is also investing in software tools to collect and understand the views of colleagues and ensure they are taken into account in decision making.

Clients

Our client relationships are the foundation of our business and we take pains to ensure our decision making delivers positive outcomes for these key stakeholders and that their views are taken into consideration. When decisions are identified that are likely to impact our clients, relationship leads will obtain the views of key client stakeholders in order to that decisions are taken in light of these.

Suppliers

We are dependent on our suppliers for many of the key inputs that enable JKR to produce the award winning work that we are known for, whether this be photographers and illustrators or equally our partners maintaining the office space and other non-creative suppliers. Where a business decision would impact a important supplier relationship we would consult with the stakeholder as part of the decision making process.

Financial Lenders

Our lenders are important stakeholders to the Group. Our agreement with our lenders sets out how they should be involved in the Group's decision making processes. This involves reporting to them regularly on performance, both actual and forecast, involving them in the business planning cycle and face-to-face update meetings several times a year. Lender feedback is regularly reported to and discussed by the Board.

Snowball Midco Limited

Strategic Report (continued) for the Year Ended 31 December 2020

Key decisions in 2020

Covid measures

In early 2020 when the scale and impact of the Covid pandemic started to become apparent we needed to rapidly make decisions on how we would react in order to best safeguard the business. Our strategy involved a rapid shift to home working to safeguard our employees' health and wellbeing, a reduction in discretionary spending and certain targeted cost control measures. Our key priorities throughout were to safeguard JKR, continue to support our clients, position the business to rebound rapidly and to retain the goodwill and engagement of our employees. As part of the decision-making process key customers were canvassed by the relationship leads, we engaged with employees through a number of forums including surveys and a number of presentations from the global leadership with opportunities for Q&A. Our shareholders and lenders were involved as we quickly pivoted and reforecast our performance under the new reality and we actively engaged with our suppliers to reach equitable solutions to reduce discretionary spending.

This report was approved by the board and signed on its behalf.



.....
M Khan
Director

Date:

7/6/21

Snowball Midco Limited

Directors' Report for the Year Ended 31 December 2020

The directors present their report and the financial statements for the year ended 31 December 2020.

Directors' responsibilities

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 the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). 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 to 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.

Principal activity

The principal activity of the company in the period under review was that of intermediate holding company.

Results and dividends

The loss for the year, after taxation, amounted to £79k (8 month period to 31 December 2019 - £66k).

Directors

The directors who served during the year were:

K McDonald
M Khan
G W B Lambert
T T Hall

Snowball Midco Limited

Directors' Report (continued) for the Year Ended 31 December 2020

Matters covered in the strategic report

As permitted by paragraph 1A of schedule 7 to the Large and Medium Sized Companies and Groups (Accounts and Reports) Regulation 2008, certain matters which are required to be disclosed in the directors' report have been omitted as they are included in the strategic report on page 1 - 3.

Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.


.....
M Khan
Director

Date:

7/6/21

Snowball Midco Limited

Independent Auditor's Report to the Members of Snowball Midco Limited

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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.

We have audited the financial statements of Snowball Midco Limited Limited ("the company") for the year ended 31 December 2020 which comprise the statement of comprehensive income, the statement of financial position, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We 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.

Snowball Midco Limited

Independent Auditor's Report to the Members of Snowball Midco Limited (continued)

Other information

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

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

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

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

Snowball Midco Limited

Independent Auditor's Report to the Members of Snowball Midco Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

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

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

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- We have identified and assessed the potential risks related to irregularities, including fraud, by considering the following:
 - Enquiries of management regarding : the compliance with laws and regulations; the detection and response to the risk of fraud and any knowledge of actual, suspected or alleged fraud; and the controls in place to mitigate risks related to fraud or non-compliance with laws and regulations;
 - Obtaining an understanding of the legal and regulatory framework in which the Group operates. The key laws considered are accounting standards and the Companies Act 2006.
- We have responded to risks identified by performing procedures including the following:
 - Enquiry of in-house management concerning actual and potential litigation and claims;
 - Performing analytical procedures to identify any unusual or unexpected relationships which may indicate risks of misstatement due to fraud; and
 - Review of financial statements disclosures and testing to supporting documentation.
- We have also considered the risk of fraud through management override of controls by:
 - Testing on a sample basis the appropriateness of journal entries and other adjustments;
 - Assessing whether the judgements made in making accounting estimates are indicative of potential bias;
- We have also considered the risk of fraud through revenue recognition by:
 - Testing on a sample basis the revenue recognised for the period to supporting documentation, including recalculation of deferred and accrued income where applicable.

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

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

Snowball Midco Limited

Independent Auditor's Report to the Members of Snowball Midco Limited (continued)

Use of our report

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

DocuSigned by:

Dan Laird

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Dan Laird (senior statutory auditor)
For and on behalf of BDO LLP, statutory auditor
London
United Kingdom

Date: 07 June 2021

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

Snowball Midco Limited

Statement of Comprehensive Income for the Year Ended 31 December 2020

		Year ended 31 December 2020 £000	8 month period ended 31 December 2019 £000
	Note		
Administrative expenses		(12)	(30)
Operating loss	4	(12)	(30)
Operating loss before non recurring expenses		-	-
Non recurring expenses	9	(12)	(30)
Operating loss		(12)	(30)
Interest receivable and similar income	6	3,851	2,121
Interest payable and similar charges	7	(3,918)	(2,157)
Loss before tax		(79)	(66)
Tax on loss	8	-	-
Loss and total comprehensive loss for the year/period		(79)	(66)

All amounts relate to continuing operations.

There was no other comprehensive income for 2020 (2019 - £Nil).

The notes on pages 13 to 23 form part of these financial statements.

Snowball Midco Limited

Registered number: 12000755

Statement of Financial Position as at 31 December 2020

	Note	2020 £000	2019 £000
Current assets			
Debtors: amounts falling due after more than one year	11	48,966	48,966
Debtors: amounts falling due within one year	11	5,972	2,121
		<u>54,938</u>	<u>51,087</u>
Creditors: amounts falling due within one year	12	(25,634)	(21,747)
Net current assets		29,304	29,340
Creditors: amounts falling due after more than one year	13	(29,449)	(29,406)
Net liabilities		<u>(145)</u>	<u>(66)</u>
Capital and reserves			
Share capital	16	-	-
Profit and loss account	17	(145)	(66)
		<u>(145)</u>	<u>(66)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:


.....
M Khan
Director

Date:

7/6/21
The notes on pages 13 to 23 form part of these financial statements.

Snowball Midco Limited

Statement of Changes in Equity for the Year Ended 31 December 2020

	Share capital £000	Profit and loss account £000	Total equity £000
At 1 January 2020	-	(66)	(66)
Comprehensive loss for the year			
Loss and total comprehensive loss for the year	-	(79)	(79)
At 31 December 2020	-	(145)	(145)

Statement of Changes in Equity for the Period Ended 31 December 2019

	Share capital £000	Profit and loss account £000	Total equity £000
At 16 May 2019	-	-	-
Comprehensive loss for the period			
Loss and total comprehensive loss for the period	-	(66)	(66)
At 31 December 2019	-	(66)	(66)

The notes on pages 13 to 23 form part of these financial statements.

Snowball Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

1. General information

Snowball Midco Limited is a private limited company incorporated in England & Wales under the Companies Act 2006. The address of the registered office is stated on the company information page and the nature of the company's operations and its principal activities are set out in the directors' report.

The financial statements are presented in Pounds Sterling (GBP), which is also the company's functional currency.

Amounts are rounded to the nearest round thousand, unless otherwise stated.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies (see note 3).

The company has taken advantage of the exemption conferred by S400 of the Companies Act 2006 not to produce consolidated financial statements as it is included in the consolidated accounts of the larger group, Snowball Topco Limited.

The following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A; and
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Snowball Topco Limited as at 31 December 2020 and these financial statements may be obtained from Companies House.

Snowball Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

2. Accounting policies (continued)

2.3 Going concern

The company meets its day-to-day working capital requirements through ongoing operating cash flows, and access to cash from other Group entities from bank loans and also Loan Notes provided by funds managed by Growth Capital Partners LLP ("GCP"). There is also access to a revolving £3m facility should it be required. The Group's forecasts and projections, taking account of possible changes in trading performance, show that the Group will be able to operate within the level of its current facilities. The banking covenants have been modelled in all scenarios and the directors are comfortable that in all likely scenarios, the bank covenants will not be breached. This forecasting goes out to 31 December 2022, and considered a base case model, and various sensitivities modelling various downturns in performance. The GCP Loan Notes also include covenants. Agreement has been obtained from GCP confirming there will be no withdrawal of this funding, should a breach of these covenants occur in the next 12 months.

Whilst COVID-19 still generates significant uncertainty, following a year of living with the pandemic JKR has a much better understanding of how our customers and wider business are impacted and respond to the virus and associated restrictions, and is better able to plan for such eventualities. The company has carried out detailed reverse stress testing in order to consider how much forecasts have to reduce by in order to cause cash constraints, and also to consider the likelihood of this scenario occurring. The company has also looked at the financial covenants around both its bank facility and investor loan notes, to ensure there is not a breach likely to occur in this forecast period to 31 December 2022. In light of this analysis, and also in light of the support letter received around the investor loan notes, the directors are comfortable that a scenario which would cause these cash restrictions is deemed to be remote and therefore not a realistic outcome to consider.

Taking account of this, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The company has therefore obtained a support letter from the parent entity providing support for a period of not less than 15 months from the date of approval of these financial statements. Thus, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

2.4 Foreign currency translation

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

2.5 Interest income

Interest income is recognised in the statement of comprehensive income using the effective interest method.

Snowball Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

2. Accounting policies (continued)

2.6 Finance costs

Finance costs are charged to the statement of comprehensive income over the term of the debt using the effective interest method.

2.7 Borrowing costs

All borrowing costs are recognised in the statement of comprehensive income in the year in which they are incurred.

2.8 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Debtors

Short term debtors are measured at transaction price, less any impairment.

2.10 Creditors

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

Snowball Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

2. Accounting policies (continued)

2.11 Financial instruments

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

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

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

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

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the reporting date.

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

2.12 Non recurring items

Non recurring items are transactions that fall within the ordinary activities of the company but are presented separately due to their size or incidence.

Snowball Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

2. Accounting policies (continued)

2.13 Current and deferred taxation

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

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

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

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

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

3. Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgements:

- Determining whether investments made by the company are displaying indicators of impairment. Factors taken into consideration are the performance of the investments and expected future performance.

4. Operating loss

The operating loss is stated after charging:

	Year ended 31 December 2020 £000	8 month period ended 31 December 2019 £000
Exchange differences	-	(2)

Audit fees are borne by another group company.

Snowball Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

5. Employees

The company has no employees other than directors, who did not receive any remuneration (2019 - £Nil).

6. Interest receivable and similar income

	Year ended 31 December 2020 £000	8 month period ended 31 December 2019 £000
Interest receivable from group companies	3,851	2,121

7. Interest payable and similar charges

	Year ended 31 December 2020 £000	8 month period ended 31 December 2019 £000
Other interest payable	2,417	1,331
Interest payable to group companies	1,501	826
	3,918	2,157

8. Taxation

	Year ended 31 December 2020 £000	8 month period ended 31 December 2019 £000
Current tax on loss for the year/period	-	-
Taxation on loss on ordinary activities	-	-

Snowball Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

8. Taxation (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year/period is higher than (2019 - higher than) the standard rate of corporation tax in the UK of 19% (2019 - 19%). The differences are explained below:

	Year ended 31 December 2020 £000	8 month period ended 31 December 2019 £000
Loss on ordinary activities before tax	(79)	(66)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019 - 19%)	(15)	(13)
Effects of:		
Expenses not deductible for tax purposes	191	163
Group relief claimed	(176)	(236)
Deferred tax not recognised	-	86
Total tax charge for the year/period	-	-

A potential deferred tax asset of £Nil (2019 - £86k) has not been recognised in the financial statements as there is uncertainty whether the company will generate suitable taxable profits in the future against which the deferred tax asset can be recovered.

9. Non recurring items

	Year ended 31 December 2020 £000	8 month period ended 31 December 2019 £000
Deal related costs	12	30

The costs above are considered to be one off and exceptional in nature by management in assessing the underlying performance of the business. The majority of these costs in the year relate to the transaction which occurred in 2019.

Snowball Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

10. Fixed asset investments

	Investments in subsidiary companies £000
Cost	
At 1 January 2020 and 31 December 2020	-
Net book value	
At 31 December 2020	-
At 31 December 2019	-

Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Country of incorporation	Class of shares	Holding
Snowball Bidco Limited	United Kingdom	Ordinary	100%
Jones Knowles Ritchie Limited*	United Kingdom	Ordinary	100%
James Knowles Ritchie Singapore PTE Limited*	Singapore	Ordinary	100%
James Knowles Ritchie (S. E. A) PTE Limited*	Singapore	Ordinary	100%
Jones Knowles Ritchie China Limited*	United Kingdom	Ordinary	100%
Jones Knowles Ritchie Rene and Yolanda Branding Design Limited*	China	Ordinary	100%
Jones Knowles Ritchie Inc.*	USA	Ordinary	100%

The company holds a £1 investment in Snowball Bidco Limited.

* indirectly held

The registered office for Snowball Bidco Limited, Jones Knowles Ritchie Limited and Jones Knowles Ritchie China Limited is 71-75 Shelton Street, London, Greater London, United Kingdom, WC2H 9JQ.

The registered office of Jones Knowles Ritchie Singapore PTE Limited is 11 Beach Road, #01-01, Singapore 189675.

The registered office of Jones Knowles Ritchie Inc is 85 Spring Street, 3rd Floor, New York 10012.

The registered office of Jones Knowles Ritchie (S.E.A.) PTE Limited is 26a Circular Road, Singapore 049382.

The registered office of Jones Knowles Ritchie Rene and Yolanda Branding Design Limited is Unit 1102, The Base, 45 North Caoxi Road, Xuhui District, Shanghai, PRC, 200030.

Snowball Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

11. Debtors

	2020 £000	2019 £000
Due after more than one year		
Amounts owed by group undertakings	48,966	48,966
	2020 £000	2019 £000
Due within one year		
Amounts owed by group undertakings	5,972	2,121

Amounts owed by group undertakings are interest-free, unsecured and repayable upon demand.

12. Creditors: Amounts falling due within one year

	2020 £000	2019 £000
Loan notes	2,485	1,308
Trade creditors	-	23
Amounts owed to group undertakings	23,149	20,416
	25,634	21,747

Amounts owed to group undertakings are interest-free, unsecured and repayable upon demand.

13. Creditors: Amounts falling due after more than one year

	2020 £000	2019 £000
Loan notes	29,449	29,406

Loan notes are shown net of £233,690 (2019 - £276,000) capitalised finance costs. During the period, £42,857 (2019 - £59,000) is included in profit and loss for the unwinding of finance costs.

Snowball Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

14. Loans

Analysis of the maturity of loans is given below:

	2020 £000	2019 £000
Amounts falling due within one year		
Loan notes	2,485	1,308
Amounts falling due after more than 5 years		
Loan notes	29,683	29,683
	<u>32,168</u>	<u>30,991</u>

The company has loan notes which carry interest at 8%. The interest on the loans of £2,485k (2019 - £1,308k) is due to be repaid in 2021 and the principal amount of the loan is repayable on it's maturity date, 13 June 2026.

15. Financial instruments

	2020 £000	2019 £000
Financial assets		
Financial assets that are debt instruments measured at amortised cost	<u>5,972</u>	<u>2,121</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>(25,634)</u>	<u>(21,747)</u>

Financial assets measured at amortised cost comprise cash at bank, trade and other debtors, amounts owed by group undertakings and accrued income.

Financial liabilities measured at amortised cost comprise trade and other creditors, amounts owed to group undertakings, other loans and accrued expenses.

Snowball Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2020

16. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
1 Ordinary share of £1	1	1

17. Reserves

Profit and loss account

Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

18. Related party transactions

The company has taken advantage of the exemption available under paragraph 33.1A of the Financial Reporting Standard 102 not to disclose transactions with other wholly owned members of the group.

Growth Capital Partners ("GCP") is a related party of Snowball Midco Limited. Included within creditors is an amount due to GCP of £32,168,000 (2019 - £30,990,000). The balance accrues interest annually of 8%. Interest of £1,197,059 (2019 - £Nil) was paid to GCP during the year.

19. Controlling party

The company is a subsidiary of Snowball Topco Limited which is the ultimate and immediate parent company incorporated in the United Kingdom.

The largest and smallest group in which the results of the company are consolidated is that headed by Snowball Topco Limited, incorporated in the United Kingdom. The consolidated accounts of this company are available to the public and may be obtained from Companies House. No other group accounts include the results of the company.

Snowball Topco Limited, is owned 49.5% by the Management of JKR, 49.5% by a private equity investor and 1% by the non-executive chairman.

In the opinion of the directors, there is no ultimate controlling party.