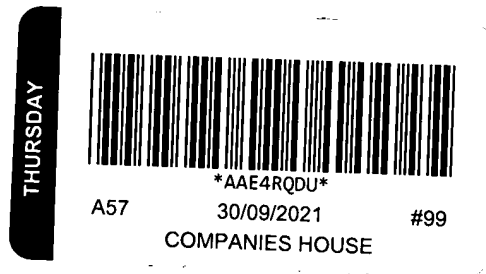


Company Registration No. 07956446

Blackhawk Network (Europe) Limited

Consolidated Financial Statements

for the year ended 2 January 2021



Blackhawk Network (Europe) Limited

Report and Financial Statements for the year ended 2 January 2021

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Blackhawk Network (Europe) Limited

Report and Financial Statements for the year ended 2 January 2021

Officers and professional advisers

Directors

Kirsten Richesson
Matthew Howe
Patrick Gurney

Secretary

Michelle Wainhouse

Registered Office

Westside
London Road
Hemel Hempstead
Hertfordshire
HP3 9TD

Auditor

BDO LLP
Statutory Auditor
55 Baker Street
London
W1U 7EU

Blackhawk Network (Europe) Limited

Strategic Report

The Directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

Principal activities

The principal activity of Blackhawk Network (Europe) Limited (the “Company”) is the marketing, activation and sale of physical and electronic gift cards through its distribution channels in the UK, Europe and the Nordics. Additionally the Company sells Employee Engagement and Recognition Platforms to enable greater performance, retention and productivity in an organisation’s workforce.

Principal risks and uncertainties

Our ability to maintain and grow our business depends on a number of factors, many of which are outside our control. These factors include:

- Our operating revenues may decline if we or Blackhawk Network, Inc. lose one or more of our top retail distribution partners, or if we fail to maintain existing relationships with our retail distribution partners or fail to attract new retail distribution partners to our network, or if the financial performance of our retail distribution partners’ businesses declines.
- The Blackhawk Network Group relies on its content providers for its product and service offerings, and the loss of one or more of our top content providers or a decline in demand for their products, or our failure to maintain existing arrangements with certain content providers or to attract new content providers to its network, could have a material adverse effect on our business.
- The Company is dependent on the efficient and uninterrupted operation of Blackhawk Network Inc’s transaction processing systems, including its computer network systems and data centres, and if such systems are disrupted, our business, results of operations and financial condition could be materially and adversely affected. A data security breach could expose the Company to costly government enforcement actions, liability and protracted and costly litigation, and could adversely affect our reputation and operating revenues.
- Failure to keep pace with the rapid technological developments in our industry and the wider electronic payments industry may materially and adversely affect our business, results of operations and financial condition.
- Due to the nature of the Group’s business and the assets and liabilities contained within the Group’s Statement of Comprehensive Income, the main financial risk the Directors consider relevant is credit risk. This is mitigated by the Group’s credit control policies.
- The Company has assessed its exposure to risks arising from the COVID-19 pandemic during 2020 and 2021. As part of these considerations, the Company’s Directors have assessed the threat this could have on the solvency of key trading partners. Through frequent and regular credit checks completed on all key trading partners, the Directors have gained assurance that the risk the pandemic could pose to major trading areas in the business is low, with no major dependency identified on any one partner.
- The Directors are confident the Group has sufficient resources and group support to continue trading for at least 12 months from the date of this report.

Blackhawk Network (Europe) Limited

Strategic Report (continued)

Results and financial position

The Group profit for the year ended 2 January 2021, after taxation, amounted to £29,592,000 (2019: £2,133,000). The profit is a significant increase on prior year due to the one off disposal of the Achievers business.

Group net current assets increased by £25,922,000 as a result of the profit achieved for the year which was supplemented by the disposal of Achievers.

On 6 August 2020, Blackhawk Network (Europe) Limited acquired the entire share capital of Intelligent Card Solutions Limited for a consideration of £3.8m. The total consideration was made up of amounts paid in cash. Intelligent Card Solutions Ltd is a company that delivers prepaid card and gift-card based loyalty, reward and benefits programmes to help organisations increase the value of their relationships with customers, members and employees.

On 24 August 2020 Blackhawk Network (UK) Ltd transferred its Visa license to issue E Money products to another group company.

On 2 October 2020, Blackhawk Network (Europe) Limited sold the trade and assets of the Employee Recognition business trading as Achievers to a related party company also majority owned by Silver Lake Partners for a cash consideration of \$21.3m.

Key performance indicators

The following are our key performance indicators. Turnover is generated by the commission received from our card partners.

	2020	2019
Turnover (£000)	66,774	61,227
Gross profit % of turnover	20.1%	18.0%
Operating profit % of turnover	1.21%	3.4%

Blackhawk Network (Europe) Limited

Strategic Report (continued)

S172 Statement

As per the group's duty to promote the success of the company for the benefit of all stakeholders, under section 172(1) of the Companies Act (2006), the following statement outlines our key actions. We continually strive to uphold a high-quality standard across our product portfolio. We take considerable action to make sure that all stakeholders are supplied with all relevant information in relation to our business decisions.

Foster business relationships with suppliers, customers, and other stakeholders

Our customers

We take the utmost care to be transparent in all of our customer communications. We do not mislead or convey false information. We divide our cardholder communications between marketing and transactional, to ensure that customer preferences are adhered to. We tailor our offering and subsequent email communications to relevant, honest topics where we have a genuine belief (and resulting data) that our customers have an interest.

We monitor 'NPS' scores from our customers, in addition to various other KPIs for call handling, such as volume of calls answered within 20 seconds and call abandon rates. We have produced documentation over the past year to assist our customers in their user journey of our products so as to provide a seamless and quality level of service.

Partners and suppliers

When managing and building relationships with our partners and suppliers, we maintain a vigorous auditing process that ensures we present ourselves at the expected standard. We provide robust compliance training for our employees, which results in positive partner and supplier management.

We work conscientiously with our partners to provide quality content to our customers, while keeping an open channel of communication to highlight issues or changes to service in good time. Our suppliers are trusted, compliant businesses who we audit on an annual basis. These audits allow us to remain in a position of trust with our customers and partners.

Interests of employees

The interests of our employees are deep rooted within everything we do at Blackhawk Network (Europe) Limited. We invest our time into regular employee briefings, so that all internal stakeholders feel informed as to company decisions and processes. We provide the opportunity for quarterly feedback via our 'Listen Surveys', of which the results are collated and acted upon.

We also provide in depth compliance training such as anti-money laundering, code of business conduct and ethics, data privacy and information security. These trainings are mandatory once per 12-month period.

Our review process, undertaken every 6 months, allows employees to envision a clear career progression and provides a forum for issues to be raised and dealt with professionally.

Act fairly as between members of the company

Blackhawk Network (Europe) Limited are dedicated to ensuring transparency in a fair and just manner between its members.

Maintain a reputation for high standards of business conduct

Our board of directors are experts in their field and can therefore make calculated decisions under pressure, to drive our business forward without compromising on the quality of our products, reputation or service. We are known within the payments industry as a compliant and well-managed organisation.

Blackhawk Network (Europe) Limited

Strategic Report (continued)

S172 Statement (continued)

Impact of the operations on the community and the environment

In light of the marked concerns surrounding environmental health, there are a number of initiatives underway. We take into consideration all impact points along the production line and have minimised our emissions wherever possible.

In terms of our products, we have focused on driving forward digital-first options. Whilst physical rewards are available to our clients, we highlight the many benefits of utilising our technology, over printed form.

In relation to our workforce and offices, we employ the services of a waste removal company who sort our waste and ensure that as little as possible goes into landfill.

We encourage our staff to commute via a green method and reward those who choose to travel via bike, car-share or public transport. We have installed cycling facilities and provide employees with access to our Cyclescheme benefit whereby participants agree to use their bike for commuting purposes where possible.

Additionally, we have invested in our headquarters to ensure that energy is consumed in a thoughtful way.

We have built some strong relationships within our local and wider community. We have a 'charity of the year', with several hosted fundraising events for our employees to participate in. We also encourage our employees to invest their own time in volunteering roles, with two working days per year granted for community outreach, per employee.

We have raised multiple sums of money and donations of belongings for our local foodbank and many of our staff have participated in team volunteer days to collate and distribute donations at the shelter. Other teams have visited other local charities to help with ongoing projects.

Likely consequence of any decision in the long term

Our Board of Directors consider the potential consequences of all decisions and appropriately weigh risk against each action. Regular reporting and a robust escalation process mean that the board remain fully informed at all times and are poised to take action if required.

Blackhawk Network (Europe) Limited

Strategic Report (continued)

Energy usage and greenhouse gas emissions 2020

<u>Energy consumption used to calculate emissions (kWh)</u>	
Emissions from combustion or gas tCO ₂ e (Scope 1)	-
Emissions from combustion fuel for transport purposes (Scope 1)	-
Emissions from business travel in rental cars or employee-owned vehicles where the company is responsible for purchasing the fuel (Scope 3)	-
Emissions from purchased electricity (Scope 2, location based)	55,779
Total gross CO₂e based on the above	12
Intensity ratio: tCO₂e/£million revenue	0.18

Quantification and reporting methodology and organisational boundary

In providing the above we have followed the 2018 UK Government environmental reporting guidance, as updated and issued in March 2019, and applied the 2020 UK Governments conversion Factors for Company Reporting.

We have used the financial control approach to define the organisational boundaries.

Intensity measurement

We have chosen the metric gross UK scope 1 and 2 emissions in tonnes of CO₂e per £million of revenue as this is the most common business metric for our industry sector.

Energy efficiency

In terms of our products, we have focused on driving forward digital-first options. Whilst physical rewards are available to our clients, we highlight the many benefits of utilising our technology, over printed form.

We encourage our staff to commute via a green method and reward those who choose to travel via bike, car-share or public transport. We have installed cycling facilities and provide employees with access to our Cyclescheme benefit whereby participants agree to use their bike for commuting purposes where possible.

Additionally, we have invested in our headquarters to ensure that energy is consumed in a thoughtful way

Approved by the Board of Directors and signed on behalf of the Board

DocuSigned by:

Patrick Gurney

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P Gurney

Director

30 September 2021

Blackhawk Network (Europe) Limited

Directors' Report

The Directors present their report and the audited financial statements of the Group for the fiscal year ended 2 January 2021. Fiscal years 2020 and 2019 consisted of 53 and 52 weeks respectively and ended on 2 January 2021 and 28 December 2019 respectively. All reference to years represents fiscal years, unless otherwise noted.

Details of activities and principal risks and uncertainties can be found in the Strategic Report on page 2 and form part of this report by cross-reference.

Dividends

The Directors do not recommend payment of a dividend (2019: £nil). Subsequent to year end on 23 April 2021, a dividend of \$21,300,000 (£15,787,667) was declared and paid to the parent company.

Qualifying third party indemnity provisions

The Group has granted an indemnity to one or more of its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report. The maximum liability guaranteed on behalf of Directors is approximately £50 million. This is a group-wide indemnity provision that benefits all Directors of all companies within the Blackhawk group.

Going concern

After making enquiries, the Directors have a reasonable expectation that the Group will continue to trade profitably for the foreseeable future. The Directors are satisfied with the financial position as reported at 2 January 2021. Accordingly, they continue to adopt the going concern basis in preparing these financial statements. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in note 1 of the financial statements.

Directors

The Directors who served throughout the year and subsequently are as stated below:

Kirsten Richesson
Matthew Howe
Patrick Gurney

Financial risk management and objectives

The Group's activities expose it to a number of risks including credit risk, liquidity risk and cash flow risk. The Group does not use financial derivatives to manage these risks. The measures in place and associated considerations are set out below.

Credit risk

The Group's principal financial assets are cash, trade debtors and amounts owed by group undertakings. Credit risk is primarily attributable to cash at bank and trade debtors. The Group seeks to minimise exposure on trade debtors by issuing regular invoices, enforcing credit terms and acting as agent only on the majority of its contracts.

The credit risk on cash balances is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

Liquidity and cash flow risk

In order to maintain liquidity and ensure that sufficient funds are available for ongoing operations, cash with respect to cardholder funds is entirely ring-fenced in separate bank accounts and not used to fund day to day operations. The Group itself does not have any external debt finance.

Blackhawk Network (Europe) Limited

Directors' Report (continued)

Future developments

Blackhawk Network (Europe) Limited will continue to expand its distribution networks through grocery, convenience, speciality and online channels. It continues to expand its product portfolio to include newly launched third party branded gift cards, prepaid cards and other category specific Own Content cards.

Statement as to Disclosure of Information to Auditor

Each of the persons who is a Director at the date of approval of this annual report confirms that:

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

Approved by the Board of Directors
and signed on behalf of the Board

DocuSigned by:
Patrick Gurney 30 September 2021
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P Gurney
Director

Blackhawk Network (Europe) Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group 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 Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent Auditor's Report to the Members of Blackhawk Network (Europe) Limited

Opinion

In our opinion the financial statements:

- give a true and fair view of the state of the Groups' and of the Parent Company's affairs as at 02 January 2021 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Blackhawk Network (Europe) Limited ("the Parent Company") and its subsidiaries ("the Group") for the year ended 02 January 2021 which comprise the Consolidated Statement of comprehensive income, Consolidated and Company Statements of financial position, Consolidated and Company statements of changes in equity, Consolidated and Company Statements of Cash Flows 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. 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 to provide a basis for our opinion.

Independence

We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

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

Independent Auditor's Report to the Members of Blackhawk Network (Europe) Limited (continued)

Other information (continued)

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and 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 have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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 Statement of Directors' Responsibilities, 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Independent Auditor's Report to the Members of Blackhawk Network (Europe) Limited (continued)

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:

Our testing included but not limited to:

- Our audit planning identified fraud risks in relation to management override and risk of fraud in revenue recognition. We considered the processes and controls that the Group has established to address risks identified, or that otherwise prevent, deter and detect fraud and how management monitors those processes and controls.
- Testing the financial statement disclosures to supporting documentation, performing substantive testing on account balances which were considered to be a greater risk of susceptibility to fraud;
- We designed our audit procedures to detect irregularities, including fraud. Our procedures included targeted journal entry testing based on identified characteristics the audit team considered could be indicative of fraud, for example credit entries to revenue without a corresponding entry to trade receivables, cash, accrued income or deferred income as well as a focus on large and unusual transactions based on our knowledge of the business;
- We communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit;
- Making enquiries of Management as to whether there was any correspondence from regulators in so far as the correspondence related to financial statements; and
- Critically assessing areas of the financial statements which include judgement and estimates, as set out in note 1 of the financial statements.

These procedures are designed to address the risk of material misstatement in respect to irregularities, including fraud but do not provide absolute assurance as to the non-existence of any such misstatements.

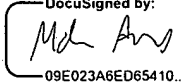
Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, 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.

Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Mark Ayres (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London
Date: 30 September 2021

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

Blackhawk Network (Europe) Limited

Consolidated Statement of Comprehensive Income For the year ended 2 January 2021

	Notes	Continuing 2020 £000	Discontinued 2020 £000	Total 2020 £000	Continuing 2019 £000	Discontinued 2019 £000	Total 2019 £000
Turnover	2	61,533	5,241	66,774	57,652	3,575	61,227
Cost of sales		(52,981)	(385)	(53,366)	(49,379)	(815)	(50,194)
Gross profit		8,552	4,856	13,408	8,273	2,760	11,033
Administrative expenses		(7,196)	(5,401)	(12,597)	(5,926)	(3,027)	(8,953)
Operating profit	3	1,356	(545)	811	2,347	(267)	2,080
Profit on Sale of business unit	18	28,952	-	28,952	-	-	-
Fair value gain on investments	10	271	-	271	689	-	689
Interest payable	4	(98)	-	(98)	(96)	-	(96)
Profit before tax		30,481	(545)	29,936	2,940	(267)	2,673
Tax on profit	7	(344)	-	(344)	(540)	-	(540)
Profit for the year		30,137	(545)	29,592	2,400	(267)	2,133

There has been no other comprehensive income in the current or previous year.

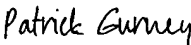
The notes on pages 20 to 36 form part of these financial statements.

Blackhawk Network (Europe) Limited**Consolidated Statement of Financial Position
As at 2 January 2021**

	Note	2020 £'000	2019 £'000
Non-current assets			
Goodwill	8	3,376	-
Deferred tax	7	11	64
Intangible assets	8	-	-
Tangible assets	9	94	18
Investments	10	2,807	2,536
		<u>6,288</u>	<u>2,618</u>
Current assets			
Stocks - finished goods		81	128
Debtors	11	94,373	99,664
Cash at bank and in hand	12	52,119	41,941
		<u>146,573</u>	<u>141,733</u>
Creditors: amounts falling due within one year	13	<u>(113,754)</u>	<u>(134,836)</u>
Net current assets		<u>32,819</u>	<u>6,897</u>
Net assets		<u>39,107</u>	<u>9,515</u>
Capital and reserves			
Share capital	15	10	10
Capital contribution		324	324
Retained earnings		38,773	9,181
Shareholders' funds		<u>39,107</u>	<u>9,515</u>

The financial statements of Blackhawk Network (Europe) Limited, registered number 07956446, were approved by the Board of Directors on

Signed on behalf of the Board of Directors

DocuSigned by:
 30 September 2021
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P Gurney
Director

The notes on pages 20 to 36 form part of these financial statements.


Blackhawk Network (Europe) Limited

Company Statement of Financial Position As at 2 January 2021

	Note	2020 £'000	2019 £'000
Non-current assets			
Deferred tax	7	-	42
Tangible assets	9	90	4
Investments in subsidiaries	10	3,848	-
		<u>3,938</u>	<u>46</u>
Current assets			
Stocks - finished goods		81	128
Debtors	11	92,503	97,076
Cash at bank and in hand	12	28,507	13,305
		<u>121,091</u>	<u>110,509</u>
Creditors: amounts falling due within one year	13	<u>(92,784)</u>	<u>(106,748)</u>
Net current assets		28,307	3,761
Deferred tax	7	(11)	-
Net assets		<u>32,234</u>	<u>3,807</u>
Capital and reserves			
Share capital	15	10	10
Capital contribution		324	324
Retained earnings		31,900	3,473
Shareholders' funds		<u>32,234</u>	<u>3,807</u>
Net profit of the year		<u>28,427</u>	<u>1,208</u>

The financial statements of Blackhawk Network (Europe) Limited, registered number 07956446, were approved by the Board of Directors on

Signed on behalf of the Board of Directors

DocuSigned by:
 30 September 2021
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 P Gurney
 Director

The notes on pages 20 to 36 form part of these financial statements.

Blackhawk Network (Europe) Limited

Consolidated Statement of Changes in Equity As at 2 January 2021

	Share capital £'000	Capital contribution £'000	Retained earnings £'000	Total £'000
At 30 December 2018	10	324	7,048	7,382
Profit for the financial year	-	-	2,133	2,133
At 28 December 2019	10	324	9,181	9,515
Profit for the financial year	-	-	29,592	29,592
At 2 January 2021	10	324	38,773	39,107

The notes on pages 20 to 36 form part of these financial statements.

Blackhawk Network (Europe) Limited

Company Statement of Changes in Equity As at 2 January 2021

	Share capital £'000	Capital contribution £'000	Retained earnings £'000	Total £'000
At 30 December 2018	10	324	2,265	2,599
Profit for the financial year	-	-	1,208	1,208
At 28 December 2019	10	324	3,473	3,807
Profit for the financial year	-	-	28,427	28,427
At 2 January 2021	10	324	31,900	32,234

The notes on pages 20 to 36 form part of these financial statements.

Blackhawk Network (Europe) Limited

Consolidated Statement of Cash Flows Year ended 2 January 2021

	Note	2020 £000	2019 £000
Operating activities			
Profit before tax		29,936	2,673
Adjustments for:			
Tangible asset depreciation		23	28
Intangible asset amortisation		143	50
Profit on disposal of business unit	18	(28,952)	-
Fair value gain on investments		(271)	(689)
Change in receivables		(8,420)	(12,066)
Change in payables		3,395	8,609
Change in stock		64	(102)
Interest payable		98	96
Taxation		(291)	(548)
Cash flows used in operating activities		(4,275)	(1,949)
Investing activities			
Acquisition of tangible fixed assets		(99)	(3)
Receipt of deferred consideration		-	180
Acquisition of a subsidiary, net of cash acquired	8	(2,443)	-
Disposal of business unit	18	17,473	-
Cash flow from investing activities		14,931	177
Financing activities			
Interest paid		(98)	(145)
Advances of loans		-	5,000
Repayment of loans		(380)	(328)
Cash flows (used in)/generated from financing activities		(478)	4,527
Increase in cash balances in the year		10,178	2,755
Net cash balance at beginning of year		41,941	39,186
Net cash balance at end of year		52,119	41,941

Blackhawk Network (Europe) Limited

Company Statement of Cash Flows Year ended 2 January 2021

	2020 £000	2019 £000
Operating activities		
Profit before tax	28,648	1,494
Adjustments for:		
Tangible asset depreciation	13	9
Change in receivables	(10,682)	(12,465)
Change in payables	13,204	10,284
Change in stock	47	(122)
Profit on disposal of business unit	(27,949)	-
Interest paid	97	96
Taxation	(221)	(237)
Cash flows generated from/ (used in) operating activities	3,157	(941)
Investing activities		
Acquisition of tangible fixed assets	(99)	(3)
Disposal of business unit	16,468	-
Acquisition of subsidiary	(3,848)	-
Cash flows generated by/ (used in) investment activities	12,521	(3)
Financing activities		
Interest paid	(97)	(145)
Advances of loans	-	5,000
Repayment of loans	(379)	(328)
Cash flows (used in)/generated from financing activities	(476)	4,527
Increase in cash balances in the year	15,202	3,583
Net cash balance at beginning of year	13,305	9,722
Net cash balance at end of year	28,507	13,305

Blackhawk Network (Europe) Limited

Notes to the financial statements Year ended 2 January 2021

1. Accounting policies

Statement of Compliance

The Group's financial statements have been prepared under the historical cost convention and in compliance with Financial Reporting Standard 102 ("FRS 102") issued by the Financial Reporting Council as it applies to the financial statements for the year ended 2 January 2021.

General information and basis of accounting

Blackhawk Network (Europe) Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act. The Company is registered in England and Wales and the address of the registered office is given on page 1. The nature of the Company's operations and its principal activities are set out in the Strategic Report on page 2.

Consolidation

The consolidated financial statements incorporate the results, assets and liabilities of the Company and entities controlled by the Company (the "Group") as stated in note 10. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired during the year are included in the Consolidated Statement of Comprehensive Income from the effective date of acquisition.

Going concern

The trading income of the Group has not been significantly affected during 2020 by the global pandemic and will most likely continue unaffected into 2021. The Group is in a strong position with operating cash reserves at the end of August 2021 in excess of £35 million.

The Group is in a Cost Plus Transfer Pricing Agreement with its Parent and therefore does not expect to book losses or suffer a negative cash flow at any time in the foreseeable future. However, as a precaution, the Directors have prepared profit and cash flow forecasts and conducted stress tests to establish the funding requirements should the Group need to operate as a stand alone business. Based on the Transfer Pricing arrangement and these forecasts the Directors are confident the Group has sufficient resources to continue trading for at least 12 months from the date of this report.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Computer equipment 3 years

Intangible assets

Software development costs and licenses are stated at cost less accumulated amortisation. Amortisation is calculated to write off software development costs in equal annual instalments over its estimated useful life of 5 years. Licenses are amortised on a straight-line basis over the license period.

Blackhawk Network (Europe) Limited

Notes to the financial statements Year ended 2 January 2021

1. Accounting policies (continued)

Goodwill

Goodwill arising on the acquisition of a subsidiary is the difference between the fair value of the consideration paid and the fair value of the assets and liabilities acquired. All goodwill is amortised through the income statement over the directors' estimate of its useful life of 10 years.

Financial instruments

Financial assets and liabilities

Financial assets and financial liabilities are recognised in the Group's Consolidated Statement of Comprehensive Income when the Group becomes a party to the contractual provisions of the instrument.

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

Financial assets and liabilities are initially recorded at transaction price, including transaction costs, unless the arrangement constitutes a financing transaction. The Group's financial assets and liabilities are payable or receivable within one year and are subsequently measured at the undiscounted amount of the cash or other consideration expected to be paid or received, net of any impairment.

Financial assets are de-recognised only where the contractual rights to the cash flows from the asset expire or are settled; or if the Group transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity; or the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Investments

Investments in subsidiaries are measured at cost less impairment. Listed investments are recorded at fair value, with changes to the fair value being recorded through the Consolidated Statement of Comprehensive Income.

Turnover

Blackhawk Network (Europe) Limited's turnover represents the gross commissions received from the sale of gift cards through the Group's network of distribution partners, revenue from promotional and marketing activities and income received from its parent under transfer pricing arrangements.

Blackhawk Network (UK) Limited's turnover represents revenues received from the customers, through its distribution partners, for the sale of prepaid debit cards.

Stock – finished goods

Stock of display materials and gift cards are valued at the lower of cost and net realisable value. Cost is calculated using the first in first out method (FIFO). Provision is made for obsolete, slow-moving or defective items where appropriate.

Blackhawk Network (Europe) Limited

Notes to the financial statements Year ended 2 January 2021

1. Accounting policies (continued)

Share-based payments

Share-based payments, including grants of share options, restricted shares, restricted share units and performance share units are accounted for as compensation based on the fair value of the award at the grant date and amortise the grant date fair value to expense over the requisite service period, which is generally the vesting period.

The fair value of restricted shares, restricted share units and performance share units is determined as the grant date fair value of Blackhawk Network Holdings, Inc. shares and determine the fair value of share options and share appreciation rights using a Black-Scholes option pricing model. The Black-Scholes option pricing model incorporates certain assumptions, such as the risk-free interest rate, expected volatility, expected dividend yield and the expected life of options in order to arrive at a fair value estimate. Share-based employee compensation expense is classified in administrative expenses

Taxation

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

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

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Foreign currencies

The functional currency of the Company is Pound Sterling ("£").

The Company and Group financial statements are also presented in Pound Sterling.

Transactions during the year in foreign currencies have been translated at rates ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies at the reporting date have been translated at the rate ruling on that date. All resulting exchange differences are dealt with in the Consolidated Statement of Comprehensive Income.

Assets and liabilities of the entities having functional currency other than the Group functional currency are translated into equivalent Pound Sterling at exchange rates ruling at the reporting date. Revenues and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of transactions.

Blackhawk Network (Europe) Limited

Notes to the financial statements Year ended 2 January 2021

1. Accounting policies (continued)

Pensions

The Group operates a defined contribution scheme. The pension costs charged in the financial statements represent the contribution payable by the Group during the period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Consolidated Statement of Financial Position.

Leases

All leases are regarded as operating leases and the payments made under them are charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Critical accounting policies and key sources of estimation uncertainty

The key assumptions concerning the future and any other key source of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Trade debtors

Trade debtors are presented net of a provision for doubtful debt. All debt that is 60 days or more past due is provided for except where there are promises to pay in place. A degree of uncertainty is inherent within the application of this policy since a promise to pay does not guarantee payment.

2. Turnover

Turnover represents the income earned from the sale of gift cards, from the issuance of prepaid debit cards and the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due.

A geographical analysis of turnover is as follows:

	2020 £'000	2019 £'000
United Kingdom	44,355	44,694
Rest of European Union and Nordics	19,826	16,279
Income from US parent	2,593	254
	<u>66,774</u>	<u>61,227</u>

Blackhawk Network (Europe) Limited

Notes to the financial statements Year ended 2 January 2021

3. Operating profit

Operating profit is stated after charging/(crediting):

	2020 £'000	2019 £'000
Depreciation of tangible fixed assets	23	28
Amortisation of intangible assets	143	50
Bad debt expense/(reversal of bad debt provision)	514	(7)
Cost of stock recognised as an expense	55	42
Provision for slow moving, obsolete and secure destruction of card stock	-	7
Net foreign exchange loss	681	277
Fees payable to the Group's auditor for the audit of the Company's annual financial statements	37	36
Fees payable to the Group's auditor for the audit of the subsidiaries	25	25
	<u> </u>	<u> </u>

4. Interest payable

	2020 £'000	2019 £'000
Interest on loans owed to related parties	98	96
	<u> </u>	<u> </u>

Blackhawk Network (Europe) Limited

Notes to the financial statements Year ended 2 January 2021

5. Directors' remuneration

Remuneration received by the Directors of the Group for their services to the Group is detailed below:

	2020 £'000	2019 £'000
Emoluments	637	613
Contribution to money purchase pension scheme	14	18
Charge for share based payments	102	172
	<u>753</u>	<u>803</u>

Remuneration of the highest paid Director:

	£'000	£'000
Emoluments	447	437
Contribution to money purchase pension scheme	6	11
Charge for share based payments	80	151
	<u>533</u>	<u>599</u>

The highest paid Director exercised share options in the current and preceding year and received or was entitled to receive shares in Blackhawk Network Holdings, Inc. in respect of qualifying services under a long-term incentive scheme.

	2020 No.	2019 No.
The number of Directors who:		
Received or were entitled to receive shares under long-term incentive schemes	3	2
Exercised share options	3	2
Accrued retirement benefits under a money purchase scheme	3	2
	<u>3</u>	<u>2</u>

6. Pension costs

The Group operates a defined contribution pension scheme in respect of the Directors and staff. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the Group and amounted to £241,000 (2019: £187,000).

The pension liability outstanding at 2 January 2021 amounts to £12,000 (2019: £28,000).

Blackhawk Network (Europe) Limited

Notes to the financial statements Year ended 2 January 2021

7. Tax on profit

The tax charge comprises:

	2020 £'000	2019 £'000
Current tax		
UK corporation tax at 19% (2019: 19%)	295	523
Adjustments in respect of prior periods	(4)	25
Total current tax charge	<u>291</u>	<u>548</u>
Deferred tax		
Origination and reversal of timing differences	59	(10)
Effect of tax rate change on opening balance	(6)	2
Adjustments in respect of prior periods	-	-
Total deferred tax charge/(credit)	<u>53</u>	<u>(8)</u>
Total tax charge	<u><u>344</u></u>	<u><u>540</u></u>
<i>Reconciliation of tax charge</i>		
	2020 £'000	2019 £'000
Profit before tax	<u>29,936</u>	<u>2,673</u>
Tax on profit on at standard UK corporation tax rate of 19% (2019: 19%)	5,688	508
Effects of:		
Income not taxable	(5,617)	(95)
Expenses not deductible for tax purposes	275	100
Difference in tax rates	(2)	2
Adjustments in respect of prior periods	-	25
Tax charge	<u><u>344</u></u>	<u><u>540</u></u>

Blackhawk Network (Europe) Limited

Notes to the financial statements Year ended 2 January 2021

7. Tax on (loss)/profit (continued)

	2020 £'000	2019 £'000
GROUP		
Deferred tax		
Accelerated capital allowances	(10)	7
Short term timing differences	21	57
	<u>11</u>	<u>64</u>
Total deferred tax asset		
	64	56
Deferred tax balance brought forward		
Deferred tax (charged)/credited in the Consolidated Statement of Comprehensive Income for the year	(53)	8
	<u>11</u>	<u>64</u>
Asset at end of year		
COMPANY		
Deferred tax		
Accelerated capital allowances	(16)	-
Short term timing differences	5	42
	<u>(11)</u>	<u>42</u>
Total deferred tax (liability) / asset		

Deferred tax has been provided at a rate of 19%.

Blackhawk Network (Europe) Limited

Notes to the financial statements Year ended 2 January 2021

8. Intangible assets and goodwill

GROUP	Software		Licenses £000	Total £000
	Goodwill £000	development £000		
Cost				
At 29 December 2019	-	57	42	99
Additions	3,519	-	-	3,519
Disposals	-	(57)	-	(57)
At 02 January 2020	<u>3,519</u>	<u>-</u>	<u>42</u>	<u>3,561</u>
Amortisation				
At 30 December 2019	-	57	42	99
Disposals	-	(57)	-	(57)
Charge for the year	143	-	-	143
At 28 December 2019	<u>143</u>	<u>-</u>	<u>42</u>	<u>185</u>
Net book value				
At 02 January 2020	<u>3,376</u>	<u>-</u>	<u>-</u>	<u>3,376</u>
At 29 December 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

The amortisation charge for the year is included within administrative expenses. The company held no intangible assets or goodwill during the year.

On 6 August 2020 the group completed the acquisition of Intelligent Card Solutions Limited.

Details of the fair value of identifiable assets and liabilities acquired, purchase consideration and goodwill are as follows:

	Total £000
Stock	17
Trade receivables	1,297
Trade payables	(2,390)
Cash and cash equivalents	1,405
Fair value of identified net assets	<u>329</u>
Consideration (paid in cash)	<u>3,848</u>
Goodwill at acquisition	<u>3,519</u>

Blackhawk Network (Europe) Limited

Notes to the financial statements Year ended 2 January 2021

9. Tangible fixed assets

GROUP

	2020	2019
	£'000	£'000
Computer equipment		
Cost		
29 December/30 December	431	428
Additions	99	3
Disposals	(363)	-
	<u>167</u>	<u>431</u>
Amortisation		
29 December/30 December	413	385
Charge for the year	23	28
Disposals	(363)	-
	<u>73</u>	<u>413</u>
Net book value		
2 January/28 December	<u>94</u>	<u>18</u>

Blackhawk Network (Europe) Limited

Notes to the financial statements Year ended 2 January 2021

9. Tangible fixed assets (continued)

COMPANY

	2020 £'000	2019 £'000
Computer equipment		
Cost		
29 December/30 December	30	27
Additions	99	3
	<u>129</u>	<u>30</u>
Depreciation		
29 December/30 December	26	17
Charge for the year	13	9
	<u>39</u>	<u>26</u>
Net book value		
2 January/28 December	<u>90</u>	<u>4</u>

10. Investments

GROUP

	2020 £000	2019 £000
Fair value of preference shares		
Brought forward	2,536	1,847
Increase in fair value	271	689
	<u>2,807</u>	<u>2,536</u>

During 2016 the Group received income, a deferred cash consideration and preference shares due to the sale of Visa Europe to Visa Inc. The Group was a shareholder of Visa Europe due to its Visa membership through Blackhawk Network (UK) Limited, and therefore benefitted from the proceeds of the sale. The investment in the Visa preference shares is fair valued on an annual basis with reference to current prices as traded on an active market.

COMPANY

The undertakings in which the Company's interest at the year end is 20% or more are as follows:

Name:	Registered address	Shareholding
Blackhawk Network (UK) Limited	Westside, London Road, Hertfordshire, United Kingdom, HP3 9TD	100%
Intelligent Card Solutions Limited	Westside, London Road, Hertfordshire, United Kingdom, HP3 9TD	100%

Blackhawk Network (Europe) Limited

Notes to the financial statements Year ended 2 January 2021

10. Investments (continued)

	Investments in subsidiaries £000
Cost and net book value	
At 29 December 2019	-
Acquisitions	3,848
	<hr/>
At 2 January 2021	3,848
	<hr/>

On 6 August 2020 the group completed the acquisition of Intelligent Card Solutions Limited as more fully described in note 8.

Blackhawk Network (Europe) Limited has guaranteed liabilities of Intelligent Card Solutions Limited, company number 06729907 who have opted to take exemption from audit under section 479A of the Companies Act 2006.

11. Debtors

	2020 £'000	2019 £'000
GROUP		
Trade debtors	81,618	85,525
Amounts owed by group undertakings	3,228	9,338
Other taxation	229	-
Other debtors	9,120	4,469
Prepayments and accrued income	178	332
	<hr/>	<hr/>
	94,373	99,664
	<hr/>	<hr/>

Included within other debtors is £220,000 (2019: £220,000) due to the Group from a former director who served during 2019. The balance was unsecured, interest free and repayable on demand.

	2020 £'000	2019 £'000
COMPANY		
Trade debtors	79,879	85,524
Amounts owed by group undertakings	4,923	8,546
Other debtors	7,523	2,770
Prepayments and accrued income	178	236
	<hr/>	<hr/>
	92,503	97,076
	<hr/>	<hr/>

Blackhawk Network (Europe) Limited

Notes to the financial statements Year ended 2 January 2021

12. Cash at bank and in hand

	2020 £'000	2019 £'000
GROUP		
Current accounts	33,108	20,938
Operationally ring-fenced accounts	5,368	1,591
Restricted cash in respect to customer accounts	13,643	19,412
	<u>52,119</u>	<u>41,941</u>

Cash at bank and in hand includes amounts held in separately designated bank accounts in order to meet the liabilities falling due under the various client programmes, with such amounts presented as operationally ring-fenced accounts.

Restricted cash in respect to customer accounts represents amounts held in safeguarded bank accounts, which represent funds held on behalf of consumers. In compliance with the safeguarding provisions within the Financial Conduct Authority Electronic Money Regulations 2011, the Group is required to safeguard 'relevant funds' from the Group's operating funds immediately upon receipt. The safeguarded bank accounts are held with the Group's principal bankers and are segregated from operating funds.

	2020 £'000	2019 £'000
Company		
Current accounts	28,507	11,714
Operationally ring-fenced accounts	-	1,591
	<u>28,507</u>	<u>13,305</u>

13. Creditors: amounts falling due within one year

	2020 £'000	2019 £'000
GROUP		
Trade creditors	62,339	53,637
Other creditors	1,436	-
Money held on behalf of clients	13,798	19,728
Amounts owed to group undertakings	14,811	28,312
Other taxes and social security costs	1,453	731
Accruals and deferred income	10,263	22,394
Loans payable to group companies	9,654	10,034
	<u>113,754</u>	<u>134,836</u>

Blackhawk Network (Europe) Limited

Notes to the financial statements Year ended 2 January 2021

13. Creditors: amounts falling due within one year (continued)

Included within the loans payable to group companies for Group and Company is £5,000,000 (2019: £5,000,000) owed to Cyclescheme Limited. The balance was unsecured, bears interest at a rate of 2.5% per annum on the balance of the loan and is repayable in annual instalments of £1,000,000 until 1 March 2025.

Also included within the loans payable to group companies for Group and Company is £4,654,000 (2019: £5,034,000) owed to Hawk Incentives Trust Company Limited. Interest is accrued at a variable rate of LIBOR +1.25% per annum on the balance of the loan. The termination date of the loan is 25 July 2022, and is payable on demand, on or before termination date. The balance is unsecured.

COMPANY	2021	2019
	£'000	£'000
Trade creditors	57,870	53,592
Other creditors	861	-
Amounts payable to group companies	14,134	20,440
Other taxes and social security costs	1,102	731
Accruals and deferred income	9,163	21,951
Loan payable to group companies	9,654	10,034
	<u>92,784</u>	<u>106,748</u>

14. Staff costs

The average monthly number of employees including executive Directors was:

	2020	2019
	No.	No.
Sales	65	37
Administration	20	16
	<u>85</u>	<u>53</u>

Their aggregate remuneration comprised:

	2020	2019
	£'000	£'000
Wages and salaries	5,835	5,613
Social security costs	685	617
Pension costs	241	187
Charge for share based payments	712	535
	<u>7,473</u>	<u>6,952</u>

Blackhawk Network (Europe) Limited

Notes to the financial statements Year ended 2 January 2021

15. Share capital

	2020 £'000	2019 £'000
Called up, allotted and fully paid 10,000 ordinary shares of £1	10	10

The Company has one class or ordinary share which carries no right to fixed income.

16. Related party transactions

The Group has taken advantage of the exemption under FRS 102 33.7 "Related Party Disclosures" from disclosing transactions with related parties that are wholly owned subsidiaries of the Blackhawk Network Holdings, Inc. group.

17. Share-based payments

Certain of the Group's Directors and employees are participants in the 2013 Equity Incentive Plan of Blackhawk Network Inc. Under the terms of the 2013 Plan, Blackhawk Network Inc. may issue share options, share appreciation rights, restricted share awards, restricted share units, performance share units and other incentive awards. Grants received by employees and directors of the Group comprise restricted share awards, which are equity-settled in shares of Blackhawk Network Inc. Such awards vest over a 4 year period, with one quarter vesting in each year, subject to continued employment. The Group reimburses Blackhawk Network Inc. for the cost of such share-based payments.

On the acquisition of Blackhawk Holdings Inc. all restricted share units granted prior to October 2016 were paid out. Any restricted share units after this date were converted to cash grants over the original vesting period.

Certain of the Group's Directors and employees are participants in the 2018 Stock Incentive Plan of Blackhawk Network Inc. Under the terms of the 2018 Plan, Blackhawk Network Inc. may issue share options to eligible employees as a combination of Time-Vesting Post-Merger Options and Performance-Vesting Post-Merger Options. Grants received allow each grantee to purchase units of shares of the Class B common stock. The Time-Vesting Post-Merger Options vest and become exercisable over a four-year term based on continued service requirements. The vesting of Performance-Vesting Post-Merger Options is subject to achieving or exceeding pre-defined annual EBITDA targets for each of the fiscal years ended 2018 through 2022. Upon achievement of these specified targets each year, 20% of these options shall vest and become exercisable. If the targets are not satisfied in one fiscal year, the options shall vest in the next subsequent fiscal year if that year's targets are satisfied.

The charge for the share based payments per scheme is as follows:

	2020 £'000	2019 £'000
2013 Equity Incentive Plan – restricted share awards	226	274
2013 Equity Incentive Plan – cash grants	164	-
2018 Stock incentive Plan	322	261
	<u>712</u>	<u>535</u>

Blackhawk Network (Europe) Limited

Notes to the financial statements Year ended 2 January 2021

17. Share-based payments (continued)

Details of the Stock Incentive Plan are as follows:

	Number of options	Weighted average exercise price (\$)
Outstanding as at 29 December 2019	510,500	10.21
Granted in year	167,578	11.25
Exercised, cancelled or forfeited in year	(23,270)	11.83
Outstanding as at 2 January 2021	654,808	

The inputs to the Black Scholes pricing model are as follows: -

	2020	2019
Expected volatility	40%	40%
Expected life (years)	6.10 – 6.25	6.10 – 6.25
Risk free rate	1.5 - 2.6%	1.5 - 2.6%

18. Discontinued operations

On 2 October 2020 the group disposed of its Achievers business unit for a total consideration of \$21,300,000 to a related party company also majority owned by Silver Lake Partners. The profit on disposal of the Achievers business unit has been calculated as follows:

	£000	£000
Net cash proceeds		17,473
Net assets disposed of:		
Trade and other receivables	15,262	
Trade and other payables	(26,741)	
		11,479
Profit on disposal before taxation		<u>28,952</u>

19. Profit and Loss of Parent Company

As permitted by Section 408 of the Companies Act 2006, the Statement of Comprehensive Income of the parent company is not presented as part of these financial statements. The Consolidated Statement of Comprehensive Income includes a profit of £28,427,000 (2019: £1,208,000) relating to the parent company.

Blackhawk Network (Europe) Limited

Notes to the financial statements Year ended 2 January 2021

20. Parent company and controlling party

At 2 January 2021 the parent company was Blackhawk Network Holdings, Inc. incorporated in the USA. Blackhawk Network Holdings, Inc is majority owned by investment funds affiliated with Silver Lake Partners and investment funds affiliated with P2 Capital Partners. There is no individual who, directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, owns 25% or more of the equity interests of BHN Holdings, Inc.

21. Subsequent events

On 7th April 2021 Blackhawk Network (UK) Ltd transferred its Mastercard license to issue E Money products to another group company.

On 23 April 2021, a dividend of \$21,300,000 (£15,787,667) was declared and paid to the parent company.