

Blackbaud Europe Limited

Report and Financial Statements

Year Ended

31 December 2021

Company Number SC212593



Blackbaud Europe Limited

**Report and financial statements
for the year ended 31 December 2021**

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Directors

J Olson
A Boor

Secretary

J Olson

Registered office

1 George Square, Glasgow, Scotland, G2 1AL

Company number

SC212593

Auditors

BDO LLP, 55 Baker Street, London, W1U 7EU

Blackbaud Europe Limited

Strategic report for the year ended 31 December 2021

The directors present their strategic report and the audited financial statements of the company for the year ended 31 December 2021.

Principal activities

The company's principal activities during the year were the sale of cloud software and services for the social good community.

Results and dividends

The company's profit for the year is £320,000 (Restated 2020 – loss of £17,000). The company paid no dividend in 2021 (2020 - £Nil).

Business review

Blackbaud Europe Limited is a UK subsidiary of Blackbaud Inc., the world's leading cloud software company powering social good. Serving the entire social good community, non-profits, foundations, companies, education institutions, healthcare organizations and individual change agents, Blackbaud connects and empowers organizations to increase their impact through cloud software, services, expertise, and data intelligence.

The directors consider the company's performance in 2021 to have been strong. Blackbaud SKY®, our platform for cloud innovation, is a core tenant of our growth strategy and continues to power an elevated level of innovation by our engineers. It is also enabling our growing ecosystem of partners who are also passionate about social good, to extend and expand the capabilities available to our customers.

The customers we serve require vertical specific business solutions to automate their operations. In 2021, we released a variety of enhancements enabling them to maximize their time, team, and relationships, including substantial updates to Blackbaud Grantmaking within Blackbaud SKY®.

Basis of preparation of financial statements

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards.

The directors have reviewed the company's going concern position taking into account its current business activities, current financial position, forecasted performance and factors likely to affect its future performance. Based on the information contained within the accounts and including specific consideration with the risks associated with the increased cost of living, the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

As at 31 December 2021, the company had cash resources of £1.8m (2020: £2.0m), current assets of £14.2m (2020: £12.4m), net current assets of £1.8m (2020: net current liabilities of £0.2m) and net assets of £1.9m (2020: net assets of £0.4m). The company's liabilities include £9.4m (2020: £8.1m) of deferred income.

In the year to 31 December 2021 the company made a profit before tax of £0.4m (2020: £0.2m). The tax charge in the year was £0.1m (Restated 2020: £0.2m). The company has the support of its ultimate parent, Blackbaud Inc., who has confirmed its intention to provide financial support to enable the company to settle its liabilities as they fall due from the twelve months of the signing of these financial statements, if required.

The increased cost of living is creating economic uncertainty in the not-for-profit sector; however, the directors have completed an assessment on the cash flow forecasts, which were stress tested under worse case scenarios. The company benefits from a high level of recurring revenue generated under the subscription model for solutions offerings. The directors are satisfied that a situation resulting in cash flows becoming constrained is remote.

The directors believe that preparing these accounts on the going concern basis is appropriate as the company generates sufficient cash flows in its own right to sustain its operations. The company's ultimate parent, Blackbaud

Blackbaud Europe Limited

Strategic report for the year ended 31 December 2021 (continued)

Inc., has confirmed it will not recall any of the amounts owed to group undertakings unless the company has sufficient working capital to make the repayment and it will provide financial support, as required, to enable the company to settle its liabilities as they fall due for at least fifteen months from date of signing of these financial statements.

Future outlook

The market in which the company operates is expected to remain competitive. Additionally, the ongoing cost of living crisis, geopolitical and macroeconomic unrest could create additional business risk. The directors are confident that the company will navigate these challenges throughout the 3-year planning horizon.

Principal risks and uncertainties

The management of the business and the execution of the company's strategy are subject to a number of risks. The key business risks affecting the company are considered to relate to competition from new entrants to the market, the risk to the non-profit sector and overall fundraising due to the economic and social impacts of the global rise in the cost of living.

Key performance indicators

The board utilises a number of key performance indicators to enable a consistent method of analysing performance, in addition to allowing the directors to benchmark performance against similar businesses. The key performance indicators utilised by the board are as follows:

Revenue

Revenue is used to measure the sales growth of the company and is generated primarily from the following sources: (i) charging for the use of software solutions in cloud-based and hosted environments; (ii) providing transaction and payment processing services; (iii) providing professional services including implementation, training, consulting, analytic, and other services; and (iv) providing software maintenance and support services.

Revenue increased 1.3% in 2021 compared to the prior year (2020: 5.6% increase), largely due to strong growth in subscription-based revenue as a result of the company's migration to a cloud-based subscription delivery model and strong retention on the existing customer base.


Operating profit margin

Operating profit margin measures the profit achieved on the company's activities after taking account of the total operating costs incurred before finance costs and taxation. This is calculated by dividing operating profit by turnover.

The company's operating profit margin increased from 0.7% in 2020 to 1.9% in 2021, partially due to a decrease in cost of sales related to lower distribution margin charged in 2021 than in 2020.

Approval

This strategic report was approved by order of the Board on


Tony Boor (Sep 28, 2022 10:26 EDT)

A Boor
Director

Date: Sep 28, 2022

Blackbaud Europe Limited

Directors' report for the year ended 31 December 2021

The directors present their report and the audited financial statements of Blackbaud Europe Limited ("the company") for the year ended 31 December 2021.

Directors

The directors of the company during the year were:

A Boor
J Olson

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Blackbaud Europe Limited

Directors' report (*continued*)
for the year ended 31 December 2021

Going concern


See note 1 for further information on going concern.

Auditors

The directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next annual general meeting.

On behalf of the Board



Tony Boor (Sep 28, 2022 10:26 EDT)
A Boor
Director

Date: Sep 28, 2022

Blackbaud Europe Limited

Independent auditor's report
for the year ended 31 December 2021

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BLACKBAUD EUROPE LIMITED

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2021 and of its 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 Blackbaud Europe Limited ("the Company") for the year ended 31 December 2021 which comprise the statement of comprehensive income, balance sheet, 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

Conclusions relating to going concern

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

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

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

Other information

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

Blackbaud Europe Limited

Independent auditor's report for the year ended 31 December 2021 (continued)

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 the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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:

Blackbaud Europe Limited

Independent auditor's report for the year ended 31 December 2021 (continued)

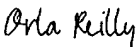
- Enquiries of management and those charged with governance regarding: the compliance with laws and regulations; the detection and response to the risk of fraud and any knowledge of actual, suspected or alleged fraud; and the controls in place to mitigate risks related to fraud or non-compliance with laws and regulations;
- Obtaining an understanding of the legal and regulatory framework in which the company operates. We focused on laws and regulations that could give rise to a material misstatement in the financial statements, including, but not limited to compliance with Companies Act 2006, relevant accounting standards and UK tax legislation. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.
- 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
 - Reading the minutes of meetings of those charged with governance.
- 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.

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 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:

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Orla Reilly (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
London

Date: 29 September 2022

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

Blackbaud Europe Limited

Statement of comprehensive income for the year ended 31 December 2021

	Note	2021 £'000	Restated* 2020 £'000
Turnover	3	19,227	18,981
Cost of sales		(2,946)	(4,060)
Gross profit		16,281	14,921
Administrative expenses		(15,920)	(14,811)
Other income	4	2	25
Operating profit	7	363	135
Interest receivable	8	22	25
Profit on ordinary activities before taxation		385	160
Taxation	9	(65)	(177)
Profit/(Loss) and total comprehensive loss for the financial year		320	(17)

*Restated, see note 10 for details

All items dealt with in arriving at operating results relate to continuing operations.

The company has no other income or loss other than the result above and therefore no separate statement of total comprehensive income or loss has been presented.

The notes on pages 12 to 25 form part of these financial statements.

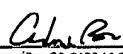
Blackbaud Europe Limited

Balance sheet at 31 December 2021

<i>Company number SC212593</i>	<i>Note</i>	2021 £'000	2021 £'000	Restated* 2020 £'000	Restated* 2020 £'000
Fixed assets					
Tangible assets	11		118		585
					585
Current assets					
Debtors	12	12,348		10,375	
Cash at bank and in hand		1,853		2,041	
		14,201		12,416	
Creditors: amounts falling due within one year	13	(12,434)		(12,602)	
Net current assets/(liabilities)			1,767		(186)
Total assets less current liabilities			1,885		399
Creditors: amounts falling due after more than one year	14		(21)		(20)
Net assets			1,864		379
Capital and reserves					
Called up share capital	15		170		170
Re-organisation reserve			(954)		(954)
Capital contribution reserve			2,839		1,601
Retained earnings			(191)		(438)
Shareholders' surplus			1,864		379

*Restated, see note 10 for details

The financial statements were approved by the Board of Directors and authorised for issue on


 Tony Boor (Sep 28, 2022 10:26 EDT)
 A Boor
 Director

Date: Sep 28, 2022

The notes on pages 12 to 25 form part of these financial statements.

Blackbaud Europe Limited

Statement of changes in equity for the year ended 31 December 2021

	Share capital £'000	Re- organisation reserve £'000	Capital contribution reserve £'000	Retained earnings £'000	Total £'000
1 January 2021 (previously stated)	170	(954)	2,558	(1,395)	379
Prior year adjustment (note 10)	-	-	(957)	957	-
1 January 2021 (restated)	170	(954)	1,601	(438)	379
Comprehensive income for the year					
Profit for the year	-	-	-	320	320
Cumulative Translation Adjustment	-	-	-	(73)	(73)
Other comprehensive income for the year	-	-	-	(73)	(73)
Total comprehensive income for the year	-	-	-	247	247
Contributions by and distributions to owners					
Share based payment	-	-	1,238	-	1,238
Total contributions by and distributions to owners	-	-	1,238	-	1,238
31 December 2021	170	(954)	2,839	(191)	1,864

The notes on pages 12 to 25 form part of these financial statements.

Blackbaud Europe Limited

Statement of changes in equity for the year ended 31 December 2021 (continued)

	Share capital £'000	Re- organisation reserve £'000	Capital contribution reserve £'000	Retained earnings £'000	Total £'000
1 January 2020	170	(954)	1,000	(421)	(205)
Comprehensive loss for the year					
Loss for the year (restated)*	-	-	-	(17)	(17)
Total comprehensive loss for the year	-	-	-	(17)	(17)
Contributions by and distributions to owners					
Share based payment	-	-	1,558	-	1,558
Group relief payment (restated)*	-	-	(957)	-	(957)
Total contributions by and distributions to owners	-	-	601	-	601
31 December 2020 (restated)*	170	(954)	1,601	(438)	379

*Restated, see note 10 for details.

The notes on pages 12 to 25 form part of these financial statements.

Blackbaud Europe Limited

Notes forming part of the financial statements
for the year ended 31 December 2021

1 Accounting policies

General information

Blackbaud Europe Limited is a private company, limited by shares, incorporated in Scotland under the Companies Act.

The address of the registered office of the company is given on the contents page and the nature of the company's operations and principal activities are set out in the strategic report.

Basis of preparation

The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

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. These judgements and estimates have been set out in note 2.

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of disclosure exemptions conferred by FRS 102 because equivalent disclosures are included in the consolidated financial statements of Blackbaud Inc, a company listed on NASDAQ and registered in the state of Delaware in the United States of America. Therefore, these accounts do not include certain disclosures in respect of:

- A statement of cash flows;
- The disclosure of remuneration of key management personnel;
- Financial instruments.

In addition, advantage has been taken of the exemption allowed by FRS 102 "Related Party Disclosures" not to disclose any transactions with members of the group of Blackbaud Inc where 100% of the voting rights of those companies are controlled within that group.

The following principal accounting policies have been applied:

Going concern

The financial statements have been prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards.

The directors have reviewed the company's going concern position taking into account its current business activities, current financial position, forecasted performance and factors likely to affect its future performance. Based on the information contained within the accounts and including specific consideration with the risks associated with the increased cost of living, the directors have reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

As at 31 December 2021, the company had cash resources of £1.8m (2020: £2.0m), current assets of £14.2m (2020: £12.4m), net current assets of £1.8m (2020: net current liabilities of £0.2m) and net assets of £1.9m (2020: net assets of £0.4m). The company's liabilities include £9.4m (2020: £8.1m) of deferred income.

In the year to 31 December 2021 the company made a profit before tax of £0.4m (2020: £0.2m). The tax charge in the year was £0.1m (Restated 2020: £0.2m). The company has the support of its ultimate parent, Blackbaud Inc., who has confirmed its intention to provide financial support to enable the company to settle its liabilities as they fall due from the twelve months of the signing of these financial statements, if required.

Blackbaud Europe Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 (continued)

1 Accounting policies (continued)

Going concern (continued)

The increased cost of living is creating economic uncertainty in the not-for-profit sector; however, the directors have completed an assessment on the cash flow forecasts, which were stress tested under worse case scenarios. The company benefits from a high level of recurring revenue generated under the subscription model for solutions offerings. The directors are satisfied that a situation resulting in cash flows becoming constrained is remote.

The directors believe that preparing these accounts on the going concern basis is appropriate as the company generates sufficient cash flows in its own right to sustain its operations. The company's ultimate parent, Blackbaud Inc., has confirmed it will not recall any of the amounts owed to group undertakings unless the company has sufficient working capital to make the repayment and it will provide financial support, as required, to enable the company to settle its liabilities as they fall due for at least fifteen months from date of signing of these financial statements.

Revenue recognition

Revenue from maintenance/subscription contracts is allocated to the statement of comprehensive income on a straight line basis over the term of the contract/subscription period.

Revenue from term licences is allocated to the statement of comprehensive income on a straight line basis over the term of the licence period.

Services revenue is recognised when projects are complete for smaller fixed price projects and on a percentage complete basis for larger fixed price projects once arising revenue can be reasonably ascertained. All other projects are recognised on a time and materials basis.

Training revenue is recognised upon delivery to the customer.

Operating leases

All rentals under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition. Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual value, on a straight line basis over their estimated economic lives. The estimated economic lives used for this purpose are:

Computer equipment	-	5 years
Fixtures and fittings	-	7 years

Residual value is calculated on prices prevailing at the date of acquisition.

Current and deferred taxation

Tax is recognised to profit or loss, except when a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity.

Blackbaud Europe Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 *(continued)*

1 Accounting policies *(continued)*

Current and deferred taxation (continued)

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's subsidiaries operate and generate taxable income.

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

- 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;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where timing differences relate to interests in subsidiaries, associates, branches and joint ventures and the group can control their reversal and such reversal is not considered probable in the foreseeable future.

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 income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

Financial assets

Financial assets, other than investments and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form. Financial liabilities, excluding convertible debt and derivatives, are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

Foreign currencies

Assets and liabilities expressed in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date or at the agreed contractual rate. Transactions in foreign currency are translated at the rate ruling at the date of the transaction. All differences on exchange are taken to the statement of comprehensive income.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Share-based payments

The cost of share-based payments is measured at the grant date based on the fair value of the award and is recognized as an expense over the requisite service period, which is the vesting period. The cost of share-based payments arising from restricted stock, restricted stock units and stock appreciation right is recognized on a straight-line basis.

Blackbaud Europe Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 (continued)

1 Accounting policies (continued)

Prepaid commissions

Sales commissions that are direct and incremental to the sales to which they relate are recognised as an asset in the balance sheet and amortised over the expected contractual life which is 5 years.

Reserves

The company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued.
- Re-organisation reserve relates to transfers on a group re-construction.
- Capital contribution reserve represents additions to the capital not invested in the company's share capital.
- Retained earnings represents cumulative profits or losses.

2 Judgements in applying policies and key sources of estimation uncertainty

In preparing these financial statements the directors have made the following judgements:

- Determine whether there are indicators of impairment of the company's tangible fixed assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- Determine the appropriate useful life for prepaid commissions assets (note 12) to be 5 years (2020: 5 years). Factors taken into consideration include length of customer contracts and expected useful life of related products which customers utilise.

Other key sources of estimation uncertainty

- Tangible fixed assets (note 11) are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values;
- Bad debt provision (note 12) – determine whether provisions are required against trade debtors based on the company's ability to collect the debt from the counterparty;
- Recoverability of amounts owed by group companies (note 12) – determine whether provisions are required against amounts owed by group undertakings based on the ability of the fellow group company to generate profits and cash.

3 Turnover

Turnover may be analysed by geography as follows.

	2021 £'000	2020 £'000
UK	17,291	17,042
Rest of world	1,936	1,939
	<hr/>	<hr/>
Total turnover	19,227	18,981
	<hr/>	<hr/>

Blackbaud Europe Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 (continued)

4 Other income

In 2020, Blackbaud Europe Limited put two employees on the government furlough scheme. The total furlough claimed in 2020 was £25,000.

5 Employees

	2021 £'000	2020 £'000
Wages and salaries	7,253	7,434
Social security costs	1,382	947
Pension costs (note 18)	342	373
Share-based payments (note 16)	3,841	2,502
	<u>12,818</u>	<u>11,256</u>

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

	Number	Number
Distribution	78	66
Sales	39	44
Administration	20	21
	<u>137</u>	<u>131</u>

6 Directors

The company's key management personnel are deemed to be the directors. The directors' remuneration is borne by the parent company Blackbaud, Inc.

7 Operating profit

	2021 £'000	2020 £'000
This has been arrived at after charging:		
Depreciation	279	264
Auditors' remuneration - audit services	55	53
Operating lease charges - land and buildings	639	867
Exchange differences	(68)	(22)
Loss on disposal of fixed assets	40	6
	<u></u>	<u></u>

8 Interest receivable

	2021 £'000	2020 £'000
Intercompany loan interest receivable	<u>22</u>	<u>25</u>

Blackbaud Europe Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 (continued)

9 Taxation

	2021 £'000	Restated* 2020 £'000
Current tax		
UK corporation tax on profits for the period	155	-
Payment to parent for losses received via group relief	-	224
Adjustments in respect of prior periods	-	9
Deferred tax		
Origination and reversal of timing differences	(32)	(47)
Adjustment in respect of previous periods	-	2
Effect of changes in tax rates	(58)	(11)
Taxation charge on ordinary activities	65	177

The tax assessed for the year differs from the standard rate of corporation tax in the UK. The differences are explained below:

	2021 £'000	2020 £'000
Profit on ordinary activities before tax	385	160
Tax on profit at standard UK tax rate of 19% (2020 - 19%)	73	30
Effects of:		
Expenses not deductible for tax purposes	(500)	1
Effects of group relief/other reliefs	(126)	(77)
Income not taxable	(8)	-
Adjustment from previous periods	-	11
Tax rate changes	(58)	(11)
Deferred tax not provided	684	(1)
Payment to parent for losses received via group relief	-	224
Total tax charge for year	65	177

In the current year, a total of £1,399,281 (2020: £1,995,201) of unrecognised losses are carried forward.

*Restated, see note 10 for details.

Blackbaud Europe Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 (*continued*)

10 Prior year restatement

The payment of group relief to Blackbaud Global Limited should be recognised to the Statement of Comprehensive Income only up to the 19% tax effective benefit that Blackbaud Europe Limited receives through group loss relief and the remainder recognised to the Statement of Changes in Equity. This has been amended as a prior year adjustment for the year ended 31st December 2020, resulting in the tax charge for the year to decrease by £957,000 and capital contribution to decrease by the same amount.

The below summarises the impact the restatement has on each financial line item:

	Restated	Previously Reported
	2020	2020
	£'000	£'000
Tax charge	177	1,134
Capital contribution	1,601	2,558

Blackbaud Europe Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 (*continued*)

11 Tangible assets

	Computer equipment £'000	Fixtures and fittings £'000	Total £'000
<i>Cost and amortisation</i>			
At 1 January 2021	693	905	1,598
Additions	116	76	192
Disposals	(516)	(981)	(1,497)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	293	-	293
	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>			
At 1 January 2021	(504)	(509)	(1,013)
Charge for the year	(142)	(137)	(279)
Disposals	471	646	1,117
	<hr/>	<hr/>	<hr/>
At 31 December 2021	(175)	-	(175)
	<hr/>	<hr/>	<hr/>
<i>Net book value</i>			
At 31 December 2021	118	-	118
	<hr/>	<hr/>	<hr/>
At 31 December 2020	189	396	585
	<hr/>	<hr/>	<hr/>

Blackbaud Europe Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 (continued)

12 Debtors

	2021 £'000	2020 £'000
Trade debtors	4,332	4,375
Deferred tax asset	243	154
Amounts due from ultimate and immediate parent companies	3,690	3,289
Prepayments and accrued income	4,083	2,557
	<u>12,348</u>	<u>10,375</u>

The expense recognised in the company income statement in the year in respect of bad and doubtful trade debtors was £142,000 (2020: £298,000).

Amounts due from the parent company are unsecured, with interest charged and are repayable on demand.

Prepaid commissions of £1,809,000 (2020: £1,623,000) is recognised in prepayments and accrued income.

13 Creditors - amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	315	153
Amounts owed to group undertakings	153	356
Taxation and social security	747	1,463
Accruals and other payables	1,835	2,251
Deferred income	9,384	8,379
	<u>12,434</u>	<u>12,602</u>

Amounts due to the parent company are unsecured, with interest charged and are repayable on demand.

14 Creditors - amounts falling due after more than one year

	2021 £'000	2020 £'000
Deferred income	<u>21</u>	<u>20</u>

Blackbaud Europe Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 (continued)

15 Deferred tax asset

	2021 £'000	2020 £'000
The deferred tax asset comprises:		
Fixed asset timing differences	76	48
Short term timing differences	167	106
	<u>243</u>	<u>154</u>

The deferred tax asset recognised is expected to be utilised against future taxable profits. The directors have used an estimate of 3 years taxable profits in recognising the asset.

The Finance Act 2021 announced an increase to the main rate of tax to 25% from 1 April 2023. This rate has been substantively enacted at the balance sheet date, as result deferred tax balances as at 31st December 2021 are measured at 25%.

16 Share-based payments

Employee share-based compensation plans

The Blackbaud, Inc. 2016 Equity and Incentive Compensation Plan (2016 Equity Plan) allows certain employees of Blackbaud Europe Limited to receive restricted stock awards (RSAs), restricted stock units (RSUs), performance-based restricted stock units (PRSUs) as a reward for performance. Blackbaud, Inc. issues common stock from its pool of authorized stock upon granting of restricted stock or upon settlement of RSUs and PRSUs.

The following table sets forth the number of awards outstanding for each award type as at 31 December 2021 and 2020.

Award type	2021 '000	2020 '000
RSAs	229	194
RSUs	25	17
PRSUs	197	155

RSAs and RSUs generally have contractual lives of 10 years. Blackbaud Europe Limited recognizes compensation expense associated with RSAs, RSUs and PRSUs on an accelerated basis over the requisite service period of the individual grantees, which generally equals the vesting period.

The following table summarises share-based compensation expense for the years ended 31 December 2021 and 2020:

Award type	2021 £'000	2020 £'000
RSAs	1,383	967
RSUs	153	100
PRSUs	2,305	1,435
	<u>3,841</u>	<u>2,502</u>

Blackbaud Europe Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 (continued)

16 Share-based payments (continued)

The company has an obligation to reimburse its ultimate parent company for the share based compensation expense based on value at vesting date and is therefore held within amounts due from/to group undertakings at the year end.

Restricted stock awards (RSAs)

Blackbaud, Inc. has granted shares of common stock subject to certain restrictions under the 2016 Equity Plan. RSAs granted to employees vest in equal annual instalments generally over three years from the grant date subject to the employees' continued employment. The fair market value of the stock at the time of the grant is charged to the statement of comprehensive income on an accelerated basis over the period of vesting. Recipients of RSAs have the right to vote and receive dividends.

A summary of unvested RSAs as of 31 December 2021, and changes during the year then ended, are as follows:

	Restricted stock awards (RSAs)	Weighted average grant-date fair value £
Unvested restricted stock awards (RSAs)		
Unvested at 1 January 2021	194,161	61.28
Forfeited	(762)	49.49
Vested	(61,749)	61.37
Granted	97,592	58.02
	<hr/>	<hr/>
Unvested at 31 December 2021	229,242	60.24
	<hr/>	<hr/>

The total fair value of RSAs that vested during the years ended 31 December 2021 and 2020 was £3.8m and £2.3m, respectively.

RSUs

RSUs granted to employees vest in equal annual instalments generally over three years from the grant date subject to the employees' continued employment. The fair market value of the stock at the time of the grant is charged to the statement of comprehensive income on an accelerated basis over the period of vesting.

A summary of unvested RSUs as of 31 December 2021, and changes during the year then ended, are as follows:

	Restricted stock units (RSUs)	Weighted average grant-date fair value £
Unvested restricted stock units (RSUs)		
Unvested at 1 January 2021	17,146	61.96
Forfeited	-	-
Vested	(6,004)	62.52
Granted	14,334	58.08
	<hr/>	<hr/>
Unvested at 31 December 2021	25,476	59.91
	<hr/>	<hr/>

Blackbaud Europe Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 (continued)

16 Share-based payments (continued)

The total fair value of RSUs that vested during the years ended 31 December 2021 and 2020 was £375,386 and £302,974, respectively.

PRSUs

PRSUs granted to employees vest between one and three cumulative performance periods beginning at the grant date subject to the employees' continued employment with Blackbaud Europe Limited as well as meeting certain performance condition. The fair market value of the stock at the time of the grant is charged to the statement of comprehensive income on an accelerated basis over the period of vesting.

A summary of PRSUs as of 31 December 2021, and changes during the year then ended, is as follows:

	PRSUs	Weighted average grant-date fair value £
PRSUs		
Unvested at 1 January 2021	155,285	50.80
Forfeited	(1,614)	49.88
Vested	(78,116)	48.76
Granted	121,930	54.47
	<hr/>	<hr/>
Unvested at 31 December 2021	197,485	54.14
	<hr/>	<hr/>

There were 155,759 PRSUs granted during the year. The total fair value of PRSUs that vested during the year ended 31 December 2021 and 2020 was £3.8m and £873,110, respectively. During the year ended 31 December 2021, 1,614 PRSUs were forfeited and 78,116 PRSUs vested, leaving 197,485 unvested PRSUs at the year end.

17 Called up share capital

	2021 Number	Allotted, issued and fully paid 2020 Number	2021 £'000	2020 £'000
Ordinary shares of £1 each	170,233	170,233	170	170
	<hr/>	<hr/>	<hr/>	<hr/>

Each ordinary share has full voting rights attached to them.

18 Pension commitments

The company operates a defined contribution scheme for its employees. The pension cost charged in respect of this scheme in the year ended 31 December 2021 was £342,001 (2020 - £373,068). There was £nil outstanding pension contributions at the year ended 2021 (2020 - £Nil).

Blackbaud Europe Limited

Notes forming part of the financial statements
for the year ended 31 December 2021 (continued)

19 Capital and other commitments

The Company had minimum lease payments under non-cancellable operating leases as set out below:

	Land and buildings 2021 £'000	Land and buildings 2020 £'000
Not later than 1 year	1,633	1,284
Later than 1 year and not later than 5 years	1,289	2,922
Later than 5 years	-	-
	<u>2,922</u>	<u>4,206</u>

Other commitments

As previously disclosed, we are subject to risks and uncertainties as a result of a ransomware attack against us in May 2020 in which a cybercriminal removed a copy of a subset of data from our self-hosted environment (the "Security Incident"). Based on the nature of the Security Incident, our research and third party (including law enforcement) investigation, we have no reason to believe that any data went beyond the cybercriminal, was or will be misused, or will be disseminated or otherwise made available publicly. Our investigation into the Security Incident by our cybersecurity team and third-party forensic advisors remains ongoing.

As a result of the Security Incident, we are currently subject to certain legal proceedings, claims, inquiries and investigations and could be the subject of additional legal proceedings, claims, inquiries and investigations in the future that might result in adverse judgments, settlements, fines, penalties, or other resolution. To limit our exposure to losses related to claims against us, including data breaches such as the Security Incident, we maintain \$50 million of insurance above a \$250 thousand deductible payable by us. This coverage has reduced our financial exposure related to the Security Incident, and we will continue to seek recoveries under these insurance policies for claims we have submitted but have not yet been reimbursed.

On September 28, 2021, the ICO notified us that it has closed its investigation of the Security Incident. Based on its investigation and having considered our actions before, during and after the Security Incident, the ICO issued our European subsidiary a reprimand in accordance with Article 58(2)(b) of the U.K. General Data Protection Regulation ("U.K. GDPR") due to our non-compliance, in the ICO's view, with the requirements set out in Article 32 of the U.K. GDPR regarding the processing of personal data. The ICO did not impose a penalty related to the Security Incident, nor did it impose any requirements for further action by us.

We have not recorded a liability for a loss contingency related to the Security Incident as of 31st December 2021 because we are unable at this time to reasonably estimate the possible loss or range of loss.

20 Related party transactions

The Company has taken advantage of the exemptions available under FRS 102 for Related Party Disclosures not to disclose any transactions that are under the common control of Blackbaud Inc.

21 Ultimate controlling party

The ultimate parent company and controlling party is Blackbaud, Inc., a company listed on NASDAQ and registered in the state of Delaware in the United States of America. The financial statements of Blackbaud Europe Limited are consolidated in those of the ultimate parent company.

Blackbaud Europe Limited

**Notes forming part of the financial statements
for the year ended 31 December 2021 (*continued*)**

22 Post balance sheet events

Post year end, there has been geopolitical and macroeconomic unrest which is a non-adjusting post balance sheet event.