

Company registration number: 05737654

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2018**

**SPAFINDER WELLNESS
UK LIMITED**



MENZIES
BRIGHTER THINKING

SPAFINDER WELLNESS UK LIMITED

COMPANY INFORMATION

Directors	J P A Kenny (resigned 7 August 2018) M D Howe K E Richesson P P Gurney
Company secretary	M J Wainhouse
Registered number	05737654
Registered office	Westside London Road Hemel Hempstead Hertfordshire HP3 9TD
Independent auditors	Menzies LLP Chartered Accountants & Statutory Auditor Lynton House 7-12 Tavistock Square London WC1H 9LT

SPAFINDER WELLNESS UK LIMITED

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SPAFINDER WELLNESS UK LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their report and the financial statements for the year ended 31 December 2018.

Directors' responsibilities statement

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors

The directors who served during the year were:

J P A Kenny (resigned 7 August 2018)
M D Howe
K E Richesson
P P Gurney

Disclosure of information to auditors

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

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

Small companies note

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

SPAFINDER WELLNESS UK LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2018

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



P P Gurney
Director

Date: 17 Oct 2019

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
SPAFINDER WELLNESS UK LIMITED**

Opinion

We have audited the financial statements of Spafinder Wellness UK Limited (the 'Company') for the year ended 31 December 2018, which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position, the Statement of Cash Flows and the related notes, 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).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 Auditors' 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.

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.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
SPAFINDER WELLNESS UK LIMITED (CONTINUED)**

Opinion 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the 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; or
- the directors were not entitled to take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement on page 1, 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.

Auditors' responsibilities for the audit of the financial statements

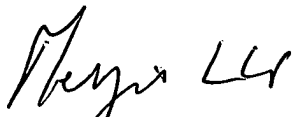
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' Report.

**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF
SPAFINDER WELLNESS UK LIMITED (CONTINUED)**

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' 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.



Philip King FCA (Senior statutory auditor)

for and on behalf of
Menzies LLP

Chartered Accountants
Statutory Auditor

Lynton House
7-12 Tavistock Square
London
WC1H 9LT

Date: 17 OCTOBER 2019

SPAFINDER WELLNESS UK LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 £	2017 £
Turnover	4	403,237	427,120
Cost of sales		(214,635)	(291,526)
Gross profit		188,602	135,594
Administrative expenses		(376,430)	(256,367)
Operating loss	5	(187,828)	(120,773)
Interest payable and expenses		-	56
Loss before tax		(187,828)	(120,717)
Loss after tax		(187,828)	(120,717)
Retained earnings at the beginning of the year		(3,479,827)	(3,359,110)
Loss for the year		(187,828)	(120,717)
Retained earnings at the end of the year		(3,667,655)	(3,479,827)


The notes on pages 10 to 17 form part of these financial statements.

SPAFINDER WELLNESS UK LIMITED
REGISTERED NUMBER:05737654

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	9	-	1,980
		-	1,980
Current assets			
Stocks	10	14,519	-
Debtors: amounts falling due within one year	11	297,644	195,955
Cash at bank and in hand	12	40,801	303,497
		352,964	499,452
Creditors: amounts falling due within one year	13	(3,803,499)	(3,764,139)
Net current liabilities		(3,450,535)	(3,264,687)
Total assets less current liabilities		(3,450,535)	(3,262,707)
Net liabilities		(3,450,535)	(3,262,707)
Capital and reserves			
Called up share capital	14	12,916	12,916
Share premium account	15	204,204	204,204
Profit and loss account	15	(3,667,655)	(3,479,827)
		(3,450,535)	(3,262,707)

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


P P Gurney
Director

Date: 17 October 2019

The notes on pages 10 to 17 form part of these financial statements.

SPAFINDER WELLNESS UK LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

	2018 £	2017 £
Cash flows from operating activities		
Loss for the financial year	(187,828)	(120,717)
Adjustments for:		
Depreciation of tangible assets	1,980	5,629
Interest paid	-	(56)
(Increase)/decrease in stocks	(14,519)	-
(Increase)/decrease in debtors	(71,626)	131,813
(Increase)/decrease in amounts owed by groups	(30,063)	-
(Decrease)/increase in creditors	(57,060)	301,703
Increase/(decrease) in amounts owed to groups	96,420	(119,276)
Net cash generated from operating activities	(262,696)	199,096
Cash flows from financing activities		
Interest paid	-	56
Net cash used in financing activities	-	56
Net (decrease)/increase in cash and cash equivalents	(262,696)	199,152
Cash and cash equivalents at beginning of year	303,497	104,345
Cash and cash equivalents at the end of year	40,801	303,497
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	40,801	303,497
	40,801	303,497

The notes on pages 10 to 17 form part of these financial statements.

SPAFINDER WELLNESS UK LIMITED

ANALYSIS OF NET DEBT FOR THE YEAR ENDED 31 DECEMBER 2018

	At 1 January 2018 £	Cash flows £	At 31 December 2018 £
Cash at bank and in hand	303,497	(262,696)	40,801
	<u>303,497</u>	<u>(262,696)</u>	<u>40,801</u>

The notes on pages 10 to 17 form part of these financial statements.

SPAFINDER WELLNESS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

1. General information

Spafinder Wellness UK Limited is incorporated in England and Wales as a private company limited by shares. The address of its registered office is disclosed on the company information page, which is also its principal place of business.

Principal activity

The principal activity of the company during the year was that of spa marketing and media.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

The Company has elected to apply all amendments to FRS 102, as set out in the triennial review published in December 2017, prior to the mandatory adoption for accounting periods beginning on or after 1 January 2019.

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

The following principal accounting policies have been applied:

2.2 Going concern

The financial statements have been prepared on a going concern basis. The company has incurred a loss of £187,828 during the year (2017: £120,717) and has net liabilities of £3,450,535 at the year end (2017: £3,262,707) and is dependent upon its ultimate parent undertaking, BHN Holdings Inc. for funding.

The directors of the company have received assurance from the ultimate parent undertaking, BNH Holdings Inc. that it will continue to support the company to enable it to meet its liabilities as they fall due for the foreseeable future and the directors have prepared the financial statements on a going concern basis.

2.3 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

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

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

2.4 Finance costs

Finance costs are charged to the Statement of income and retained earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

SPAFINDER WELLNESS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

2. Accounting policies (continued)

2.5 Revenue

Revenue is recognised as commission earned on the sale of vouchers at the point of sale and on breakage revenue from the non-redemption of sold vouchers when expired.

2.6 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Company in independently administered funds.

2.7 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Plant and machinery	- 20-33% straight line
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The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Income and Retained Earnings.

2.8 Financial instruments

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

2.9 Voucher redemption liability

The full amount the Company is liable to pay spas is recognised as a voucher redemption liability until the point that the voucher is either redeemed and the liability is settled, the voucher expires or for spa gift vouchers which do not have an expiration date, where they have not been redeemed for a period of 6 years from activation.

SPAFINDER WELLNESS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

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

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company has exercised judgement in determining that in substance it acts as an agent rather than principal in the sale of prepaid spa gift vouchers. This is because its primary performance obligation is to arrange for the provision of spa services by other parties and because it does not provide the spa services itself. As a result the company reports as its revenues the commission it earns from the participating spas rather than the gross sales values of the vouchers.

The company has exercised judgement in determining that its commission revenue are recognised at the time that gift vouchers are sold and activated rather than at the time the vouchers are redeemed in participating spas. This is because it has arranged for participating spas to provide services upon presentation of activated vouchers, and accordingly has satisfied its performance obligation once vouchers have been activated.

The company benefits from breakage when the spa gift vouchers, which do not have an expiration date, have not been redeemed for a period of 6 years. The company has exercised judgement that after 6 years the likelihood of redemption is remote.

4. Turnover

An analysis of turnover by class of business is as follows:

	2018 £	2017 £
Commission earned & breakage	403,237	427,120
	<u>403,237</u>	<u>427,120</u>

All turnover arose within the United Kingdom.

5. Operating loss

The operating loss is stated after charging:

	2018 £	2017 £
Depreciation of tangible fixed assets	1,980	5,629
Exchange differences	(8,414)	(129,607)
Defined contribution pension cost	<u>2,721</u>	<u>4,685</u>

SPAFINDER WELLNESS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

6. Auditors' remuneration

	2018 £	2017 £
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	<u>9,750</u>	<u>9,500</u>
Fees payable to the Company's auditor and its associates in respect of:		
Taxation compliance services	1,000	970
All other services	<u>1,800</u>	<u>1,750</u>
	<u>2,800</u>	<u>2,720</u>

7. Employees

Staff costs were as follows:

	2018 £	2017 £
Wages and salaries	154,300	178,107
Social security costs	7,303	14,211
Pension costs	<u>2,721</u>	<u>4,685</u>
	<u>164,324</u>	<u>197,003</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Employees	<u>3</u>	<u>3</u>

SPAFINDER WELLNESS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

8. Taxation

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 -higher than) the standard rate of corporation tax in the UK of 19% (2017 -19.25%). The differences are explained below:

	2018 £	2017 £
Loss on ordinary activities before tax	(187,828)	(120,717)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017 -19.25%)	(35,687)	(23,238)
Effects of:		
Unrelieved tax losses carried forward	10,243	-
Other differences leading to an increase (decrease) in the tax charge	1,229	-
Group relief	24,215	23,238
Total tax charge for the year	-	-

Factors that may affect future tax charges

The company has £3,200,328 (2017: £3,140,071) of tax losses available to carry forward against future trading profits. This results in an unrecognised deferred tax asset of £544,055 (2017: £533,812) which is not recognised as it is not probable that this balance will be recovered.

SPAFINDER WELLNESS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

9. Tangible fixed assets

	Plant and machinery £
Cost or valuation	
At 1 January 2018	34,622
At 31 December 2018	34,622
Depreciation	
At 1 January 2018	32,642
Charge for the year on owned assets	1,980
At 31 December 2018	34,622
Net book value	
At 31 December 2018	-
At 31 December 2017	1,980

10. Stocks

	2018 £	2017 £
Cards and carriers	14,519	-
	14,519	-

11. Debtors

	2018 £	2017 £
Trade debtors	77,278	178,589
Amounts owed by group undertakings	30,063	-
Other debtors	7,354	14,866
Prepayments and accrued income	182,949	2,500
	297,644	195,955

SPAFINDER WELLNESS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

12. Cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	40,801	303,497
	<u>40,801</u>	<u>303,497</u>

13. Creditors: Amounts falling due within one year

	2018 £	2017 £
Trade creditors	22,338	52,105
Amounts owed to group undertakings	1,452,690	1,356,270
Voucher redemption liability	2,300,119	2,313,626
Accruals and deferred income	28,352	42,138
	<u>3,803,499</u>	<u>3,764,139</u>

14. Share capital

	2018 £	2017 £
12,916 (2017 -12,916) Ordinary shares of £1 each -	<u>12,916</u>	<u>12,916</u>

The ordinary shares carry full voting rights and interest in distributions and the equity of the company.

15. Reserves

Share premium account

The share premium account is the amount by which the amount received by a company for a stock issue exceeds its face value.

Profit and loss account

The profit and loss account arises from the accumulation of the results for the year, and other items taken to other comprehensive income or to equity, but not classified in other reserve accounts.

SPAFINDER WELLNESS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

16. Related party transactions

The company has taken advantage of the exemption in FRS102 33.1A not to disclose transactions entered into between two or more members of the group where subsidiaries party to the transaction are wholly owned members of the group. The balances outstanding with the company are shown in aggregate in debtors and creditors under amounts owned by and to group undertakings respectively.

17. Controlling party

At 1 January 2018 the ultimate parent company was Blackhawk Network Holdings, Inc. which is incorporated in the USA.

In 2018, Blackhawk Network Holdings, Inc. became a wholly owned subsidiary of BHN Holdings, Inc. which is incorporated in the USA. On 15 June 2018, BHN Holdings Inc. became majority owned by investment funds affiliated with investment funds affiliated with Silver Lake Partners and investment funds affiliated with 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.

The name of the immediate parent company, which owns 100% of Spafinder Wellness UK Limited, is Blackhawk Issued Content LLC, which is incorporated in the USA.