

Registered number: 06662194 (England and Wales)

**RETURN PATH UK LIMITED**

**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2018**



## RETURN PATH UK LIMITED

### COMPANY INFORMATION

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<b>Directors</b>	Return Path International, Inc. M R Briggs
<b>Company secretary</b>	F&L CoSec Limited
<b>Registered number</b>	06662194
<b>Registered office</b>	New Penderel House 4th Floor 283-288 High Holborn London England WC1V 7HP
<b>Independent auditors</b>	F&L Corporate Reporting Services Limited Chartered Accountants and Statutory Auditors New Penderel House 4th Floor 283-288 High Holborn London United Kingdom WC1V 7HP

**RETURN PATH UK LIMITED**

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**RETURN PATH UK LIMITED**  
**REGISTERED NUMBER:06662194**

**BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £	2017 £
<b>Fixed assets</b>			
Tangible assets	4	533,345	570,503
		<u>533,345</u>	<u>570,503</u>
<b>Current assets</b>			
Debtors: amounts falling due after more than one year	5	333,226	333,226
Debtors: amounts falling due within one year	5	1,036,995	812,884
Cash at bank and in hand		155,073	58,570
		<u>1,525,294</u>	<u>1,204,680</u>
Creditors: amounts falling due within one year	6	(612,658)	(571,683)
<b>Net current assets</b>		<u>912,636</u>	<u>632,997</u>
<b>Total assets less current liabilities</b>		<u>1,445,981</u>	<u>1,203,500</u>
Creditors: amounts falling due after more than one year	7	(173,878)	(155,173)
<b>Provisions for liabilities</b>			
Deferred tax	8	(30,852)	(32,764)
		<u>(30,852)</u>	<u>(32,764)</u>
<b>Net assets</b>		<u><u>1,241,251</u></u>	<u><u>1,015,563</u></u>

**RETURN PATH UK LIMITED**  
**REGISTERED NUMBER:06662194**

**BALANCE SHEET (CONTINUED)**  
**AS AT 31 DECEMBER 2018**

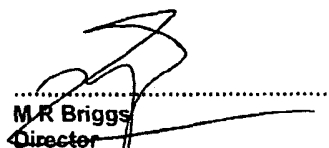
	Note	2018 £	2017 £
<b>Capital and reserves</b>			
Called up share capital		100	100
Capital contribution reserve	9	72,954	26,001
Profit and loss account		1,168,197	989,462
		<u>1,241,251</u>	<u>1,015,563</u>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime and in accordance with the provisions of FRS 102 Section 1A - small entities.

The financial statements have been delivered in accordance with the provisions applicable to companies subject to the small companies regime.

The Company has opted not to file the profit and loss account in accordance with provisions applicable to companies subject to the small companies' regime.

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

  
.....  
**M.R Briggs**  
**Director**

Date: 30th September 2019.

The notes on pages 3 to 10 form part of these financial statements.

## **RETURN PATH UK LIMITED**

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

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#### **1. Accounting policies**

##### **1.1 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 Section 1A of Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

##### **1.2 Going concern**

In May 2019, the Company's ultimate parent, Return Path Inc., was acquired by Validity, Inc. (as detailed in note 12).

The financial statements have been prepared on the going concern basis, as the directors of Validity, Inc., have confirmed that Return Path International, Inc., will continue to provide financial support to the Company for a period of at least 12 months from the financial statements approval date. Should this support be withdrawn, then all of the Company's assets would have to be restated at their net realisable values and its liabilities would have to be treated as falling due on demand.

The following principal accounting policies have been applied:

##### **1.3 Turnover**

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

###### **Rendering of services**

Turnover from the intercompany service agreement is recognised on a cost plus basis of 6% and is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

## RETURN PATH UK LIMITED

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

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#### 1. Accounting policies (continued)

##### 1.4 Current and deferred taxation

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

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

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

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

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

##### 1.5 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.

The estimated useful lives range as follows:

Leasehold improvements	- 5 years
Fixtures and fittings	- 3 to 5 years
Computer equipment	- 3 years

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 Profit and Loss Account.

## **RETURN PATH UK LIMITED**

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

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#### **1. Accounting policies (continued)**

##### **1.6 Debtors**

Short term debtors are measured at transaction price, less any impairment. Loans receivable are intercompany loans measured at cost. No interest is charged on the loans, which are repayable on demand.

Long term debtors are made up of a rental deposit, measured at transaction price, less any impairment.

##### **1.7 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions.

##### **1.8 Creditors**

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

Long term creditors are made up of deferred rent due after more than one year.

##### **1.9 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.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account.



## **RETURN PATH UK LIMITED**

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

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#### **1. Accounting policies (continued)**

##### **1.10 Share based payments**

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the Profit and Loss Account over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each Balance Sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to Profit and Loss Account over the remaining vesting period.

##### **1.11 Operating leases: the Company as lessee**

Rentals paid under operating leases are charged to the Profit and Loss Account on a straight line basis over the lease term.

##### **1.12 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 Profit and Loss Account when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

#### **2. Auditors' information**

The auditors' report on the financial statements for the year ended 31 December 2018 was unqualified, though the auditor drew attention to note 1.2 to these financial statements which indicates the Company's ability to continue as a going concern.

The audit report was signed by Dominic King ACA (Senior Statutory Auditor) on behalf of F&L Corporate Reporting Services Limited.

#### **3. Employees**

The average monthly number of employees during the year was 41 (2017 - 36).

**RETURN PATH UK LIMITED**

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

**4. Tangible fixed assets**

	Leasehold improvements £	Fixtures and fittings £	Computer equipment £	Total £
<b>Cost or valuation</b>				
At 1 January 2018	504,147	73,033	126,081	703,261
Additions	21,054	-	36,748	57,802
At 31 December 2018	525,201	73,033	162,829	761,063
<b>Depreciation</b>				
At 1 January 2018	39,777	7,935	85,045	132,757
Charge for the year on owned assets	52,113	14,607	28,241	94,961
At 31 December 2018	91,890	22,542	113,286	227,718
<b>Net book value</b>				
At 31 December 2018	433,311	50,491	49,543	533,345
At 31 December 2017	464,369	65,098	41,036	570,503

**RETURN PATH UK LIMITED**

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

**5. Debtors**

	2018 £	2017 £
<b>Due after more than one year</b>		
Other debtors	333,226	333,226
	<u>333,226</u>	<u>333,226</u>
	2018 £	2017 £
<b>Due within one year</b>		
Amounts owed by parent company	271,110	-
Amounts owed by fellow subsidiaries	171,065	169,276
Other debtors	124,424	125,995
Prepayments and accrued income	470,396	517,613
	<u>1,036,995</u>	<u>812,884</u>

**6. Creditors: Amounts falling due within one year**

	2018 £	2017 £
Trade creditors	33,544	69,712
Amounts owed to parent company	-	202,606
Corporation tax	35,898	-
Other taxation and social security	158,823	94,041
Other creditors	420	15,244
Accruals and deferred income	383,973	190,080
	<u>612,658</u>	<u>571,683</u>

**7. Creditors: Amounts falling due after more than one year**

	2018 £	2017 £
Accruals and deferred income	173,878	155,173
	<u>173,878</u>	<u>155,173</u>

## RETURN PATH UK LIMITED

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

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#### 8. Deferred taxation

	2018 £
At 1 January 2018	(32,764)
Charged to profit or loss	1,912
At 31 December 2018	<u>(30,852)</u>

The provision for deferred taxation is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	(32,609)	(34,276)
Pension surplus	1,757	1,512
	<u>(30,852)</u>	<u>(32,764)</u>

#### 9. Capital contribution reserve

Certain employees of the Company along with other group employees have been granted options over the shares in Return Path International, Inc. The options are granted at an independently determined fair value and 25% of the options are exercisable one year after the vesting commencement date and then 6.25% for each quarter thereafter. The options expire ten years after the date of grant and the employees are required to be an employee of the Company at the date they exercise any options.

An expense equivalent to the fair value of the share options granted is recognised evenly over the vesting period with a corresponding amount being recognised in the capital contribution reserve.

#### 10. Financial commitments

At the end of the reporting period, the total amount of financial commitments, guarantees and contingencies that are not included in the balance sheet was £3,085,425 (2017: £3,455,676). The amount falling due within one year is £370,251 (2017: £370,251).

#### 11. Controlling party

Return Path International, Inc. is the parent of the smallest group for which consolidated financial statements are drawn up of which the Company is a member. The registered office of the parent company is 200 Clarendon Street, 22nd Floor, Boston, MA 02116, USA.

**RETURN PATH UK LIMITED**

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

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**12. Post balance sheet events**

In May 2019, the parent company was acquired by Validity, Inc. Following the acquisition, the share options previously granted to employees of the Company (as detailed in note 8) were accelerated and cancelled. This was a non-adjusting event.

There were no adjusting or other non-adjusting events occurring between the end of the reporting period and the date these financial statements were approved.