

RETURN PATH UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

RETURN PATH UK LIMITED

COMPANY INFORMATION

Directors	Return Path International, Inc. M R Briggs
Registered number	06662194
Registered office	New Penderel House 4th Floor 283-288 High Holborn London England WC1V 7HP
Independent auditors	ZEDRA Corporate Reporting Services (UK) Limited (formerly F&L Corporate Reporting Services Limited)

RETURN PATH UK LIMITED

CONTENTS

	Page
Balance Sheet	1 - 2
Statement of Changes in Equity	3
Notes to the Financial Statements	4 - 11

BALANCE SHEET
AS AT 31 DECEMBER 2019

	Note	2019 £	<i>Restated 2018</i> <i>£</i>
Fixed assets			
Tangible assets	4	459,259	<i>533,345</i>
		459,259	<i>533,345</i>
Current assets			
Debtors: amounts falling due after more than one year	5	333,226	<i>333,226</i>
Debtors: amounts falling due within one year	5	1,185,193	<i>1,051,449</i>
Cash at bank and in hand		276,658	<i>155,073</i>
		1,795,077	<i>1,539,748</i>
Creditors: amounts falling due within one year	6	(591,694)	<i>(612,658)</i>
Net current assets		1,203,383	<i>927,090</i>
Total assets less current liabilities		1,662,642	<i>1,460,435</i>
Creditors: amounts falling due after more than one year	7	(116,539)	<i>(173,878)</i>
Provisions for liabilities			
Deferred tax	8	(10,891)	<i>(30,852)</i>
		(10,891)	<i>(30,852)</i>
Net assets		1,535,212	<i>1,255,705</i>

BALANCE SHEET (CONTINUED)
AS AT 31 DECEMBER 2019

	Note	2019 £	<i>Restated 2018 £</i>
Capital and reserves			
Called up share capital		100	<i>100</i>
Capital contribution reserve	9	160,615	<i>72,954</i>
Profit and loss account	9	1,374,497	<i>1,182,651</i>
		<hr/> 1,535,212 <hr/>	<hr/> <i>1,255,705</i> <hr/>

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 statement of comprehensive income 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: 25 November 2020

The notes on pages 4 to 11 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Called up share capital £	Capital contribution reserve £	Profit and loss account £	Total equity £
At 1 January 2018 (as previously stated)	100	26,001	989,462	1,015,563
Prior year adjustment (note 11)	-	-	12,810	12,810
At 1 January 2018 (as restated)	100	26,001	1,002,272	1,028,373
Comprehensive income for the year				
Profit for the year	-	-	180,379	180,379
Share based payment expense	-	46,953	-	46,953
Total comprehensive income for the year	-	46,953	180,379	227,332
At 1 January 2019 (as previously stated)	100	72,954	1,168,197	1,241,251
Prior year adjustment (note 11)	-	-	14,454	14,454
At 1 January 2019 (as restated)	100	72,954	1,182,651	1,255,705
Comprehensive income for the year				
Profit for the year	-	-	191,846	191,846
Share based payment expense	-	87,661	-	87,661
Total comprehensive income for the year	-	87,661	191,846	279,507
At 31 December 2019	100	160,615	1,374,497	1,535,212

The notes on pages 4 to 11 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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.

The following principal accounting policies have been applied:

1.2 Going concern

In May 2019, Validity Holdings, Inc. acquired Return Path, Inc., the previous ultimate parent company. Following the acquisition management intend to restructure the group which will result in the trade and assets of the Company being transferred to Validity International Limited, a company incorporated in England and Wales.

Following this restructuring process, the directors intend to voluntarily dissolve the Company and therefore have prepared these financial statements on the basis the entity will no longer be a going concern.

1.3 Other income

Other income relates to property sub-lease income and is measured as the fair value of the consideration received or receivable in line with the sub-lease agreement, excluding discounts, rebates, value added tax and other sales taxes.

1.4 Turnover

Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Rendering of services

Turnover is recognised on a cost plus 6% basis, in line with the intercompany service agreement with the parent company. Intercompany turnover is recognised 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 intercompany service agreement;
- the costs incurred under the intercompany service agreement can be measured reliably.

1. Accounting policies (continued)

1.5 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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.

1.6 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 to 10 years
Fixtures and fittings	- 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 profit or loss.

RETURN PATH UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. Accounting policies (continued)

1.7 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.

1.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash held on deposit by service providers is included within bank and cash balances, as these amounts are highly liquid and repayable without penalty on notice of not more than 24 hours.

1.9 Creditors

Short term creditors are measured at the transaction price.

1.10 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

1. Accounting policies (continued)

1.11 Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss 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 or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

1.12 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight line basis over the lease term.

1.13 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 profit or loss 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 2019 was unqualified.

In their report, the auditors emphasised the following matter without qualifying their report:

We draw attention to Note 1.2 to the financial statements which explains that the directors intend to undertake a restructure of the group in the calendar year 2020 and therefore do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly the financial statements have been prepared on a basis other than going concern described in Note 1.2.

The audit report was signed on 11 December 2020 by Dominic King ACA (Senior Statutory Auditor) on behalf of ZEDRA Corporate Reporting Services (UK) Limited.

4. Tangible fixed assets

	Leasehold improvements	Fixtures and fittings	Computer equipment	Total
	£	£	£	£
Cost or valuation				
At 1 January 2019	525,201	73,033	162,829	761,063
Additions	-	-	24,741	24,741
Disposals	-	-	(22,407)	(22,407)
At 31 December 2019	525,201	73,033	165,163	763,397
Depreciation				
At 1 January 2019	91,890	22,542	113,286	227,718
Charge for the year on owned assets	52,498	14,606	31,723	98,827
Disposals	-	-	(22,407)	(22,407)
At 31 December 2019	144,388	37,148	122,602	304,138
Net book value				
At 31 December 2019	380,813	35,885	42,561	459,259
At 31 December 2018	433,311	50,491	49,543	533,345

RETURN PATH UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

5. Debtors

	2019 £	<i>2018 £</i>
Due after more than one year		
Other debtors	333,226	<i>333,226</i>
	<u>333,226</u>	<i><u>333,226</u></i>
Due within one year		
Amounts owed by parent company	796,337	<i>526,460</i>
Amounts owed by fellow subsidiaries	172,016	<i>171,065</i>
Other debtors	30,161	<i>124,424</i>
Prepayments and accrued income	186,679	<i>229,500</i>
	<u>1,185,193</u>	<i><u>1,051,449</u></i>

Other debtors due after more than one year are made up of a rental deposit, in relation to the leased premises referred to in note 10.

6. Creditors: Amounts falling due within one year

	2019 £	<i>2018 £</i>
Trade creditors	144,589	<i>33,544</i>
Corporation tax	51,649	<i>35,898</i>
Other taxation and social security	58,995	<i>158,823</i>
Other creditors	8,079	<i>420</i>
Accruals and deferred income	328,382	<i>383,973</i>
	<u>591,694</u>	<i><u>612,658</u></i>

RETURN PATH UK LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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

	2019 £	<i>2018</i> <i>£</i>
Accruals and deferred income	116,539	<i>173,878</i>
	<u>116,539</u>	<u><i>173,878</i></u>

Amounts falling due after more than one year are in relation to lease incentives, that are released to the Statement of Comprehensive Income over the life of the premise leased.

8. Deferred taxation

	2019 £
At 1 January 2019	(30,852)
Charged to profit or loss	19,961
At 31 December 2019	<u>(10,891)</u>

The provision for deferred taxation is made up as follows:

	2019 £	<i>2018</i> <i>£</i>
Accelerated capital allowances	(23,641)	<i>(32,609)</i>
Other timing differences	12,750	<i>-</i>
Pension surplus	-	<i>1,757</i>
	<u>(10,891)</u>	<i><u>(30,852)</u></i>

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.

In May 2019, the parent company was acquired by Validity, Inc. Following the acquisition, the share options previously granted to employees of the company were accelerated and cancelled.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2019**

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 £863,919 (2018: £3,085,425). The amount falling due within one year is £370,251 (2018: £370,251). On 04 December 2019, the company subleased the property that the financial commitments are associated with. The property was subleased at a market rate, rebutting the requirement for an onerous lease provision.

11. Prior year adjustment

During the year, management have identified the omission of commissions in relation to the prior year and preceding years. An adjustment has been made in the comparative year to increase staff salaries within selling, general and administrative expenses by £27,380. Given the cost plus nature of the Company, an adjustment has also been made to increase turnover by £29,024. A further adjustment was needed to reflect the omission in both the prior year and preceding years to increase amounts owed by the parent company by £255,350 and decrease prepayments and accrued income by £240,896. The overall effect of the above adjustments has increased the profit and loss reserve by £14,454.

12. 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.

13. Post balance sheet events

As detailed in note 1.2, management intend to restructure the group which will result in the trade and assets of the Company being transferred to Validity International Limited, a company incorporated in England and Wales. Following this restructuring process, the directors intend to voluntarily dissolve the Company. 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.

