

DIRECTORS' REPORT AND FINANCIAL
STATEMENTS

FOR THE YEAR ENDED

31 DECEMBER 2019

ACACIA TECHNOLOGIES (UK)
LIMITED

MENZIES

ACACIA TECHNOLOGIES (UK) LIMITED

COMPANY INFORMATION

Directors	J Asgeirsson J Gavin
Company secretary	J Asgeirsson
Registered number	10233741
Registered office	Jupiter House Mercury Park Wooburn Green Buckinghamshire HP10 0HH
Independent auditors	Menzies LLP Chartered Accountants & Statutory Auditor Ashcombe House 5 The Crescent Leatherhead Surrey KT22 8DY

ACACIA TECHNOLOGIES (UK) LIMITED

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ACACIA TECHNOLOGIES (UK) LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their report and the financial statements for the year ended 31 December 2019.

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 Asgeirsson
J Gavin

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.

Auditors

The auditors, Menzies LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

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.

ACACIA TECHNOLOGIES (UK) LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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

J Gavin
Director

Date: 17 December 2020

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ACACIA TECHNOLOGIES (UK) LIMITED

Opinion

We have audited the financial statements of Acacia Technologies (UK) Limited (the 'Company') for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity 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 2019 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.

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 MEMBERS OF ACACIA TECHNOLOGIES (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.

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 MEMBERS OF ACACIA TECHNOLOGIES (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.

Caroline Milton FCA (Senior Statutory Auditor)

for and on behalf of

Menzies LLP

Chartered Accountants

Statutory Auditor

Ashcombe House

5 The Crescent

Leatherhead

Surrey

KT22 8DY

18 December 2020

ACACIA TECHNOLOGIES (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 \$	2018 \$
Turnover	3	<u>4,754,771</u>	<u>4,250,771</u>
Gross profit		4,754,771	4,250,771
Administrative expenses		(4,492,010)	(4,214,002)
Other operating income	4	<u>258,268</u>	<u>218,719</u>
Operating profit	5	521,029	255,488
Tax on profit	8	<u>50,208</u>	<u>(65,422)</u>
Profit for the financial year		<u>571,237</u>	<u>190,066</u>

There was no other comprehensive income for 2019 (2018:\$NIL).

The notes on pages 9 to 19 form part of these financial statements.

ACACIA TECHNOLOGIES (UK) LIMITED

REGISTERED NUMBER:10233741

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Note	2019 \$	2018 \$
Fixed assets			
Intangible assets	9	14,098	22,153
Tangible assets	10	1,278,931	859,736
		<u>1,293,029</u>	<u>881,889</u>
Current assets			
Debtors: amounts falling due within one year	11	2,543,253	1,316,534
Cash at bank and in hand		201,331	282,977
		<u>2,744,584</u>	<u>1,599,511</u>
Current liabilities			
Creditors: amounts falling due within one year	12	(379,773)	(533,364)
Net current assets		<u>2,364,811</u>	<u>1,066,147</u>
Total assets less current liabilities		<u>3,657,840</u>	<u>1,948,036</u>
Provisions for liabilities			
Deferred taxation	13	-	(58,124)
Other provisions	14	(112,090)	-
		<u>(112,090)</u>	<u>(58,124)</u>
Net assets		<u><u>3,545,750</u></u>	<u><u>1,889,912</u></u>
Capital and reserves			
Called up share capital	15	1	1
Profit and loss account	16	3,545,749	1,889,911
		<u><u>3,545,750</u></u>	<u><u>1,889,912</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 17 December 2020.

J Gavin
Director

The notes on pages 9 to 19 form part of these financial statements.

ACACIA TECHNOLOGIES (UK) LIMITED

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

	Called up share capital	Profit and loss account	Total equity
	\$	\$	\$
At 1 January 2018	1	253,228	253,229
Comprehensive income for the year			
Profit for the year	-	190,066	190,066
Total comprehensive income for the year	-	190,066	190,066
Share based payment transactions	-	1,446,617	1,446,617
Total transactions with owners	-	1,446,617	1,446,617
At 1 January 2019	1	1,889,911	1,889,912
Comprehensive income for the year			
Profit for the year	-	571,237	571,237
Total comprehensive income for the year	-	571,237	571,237
Share based payment transactions	-	1,084,601	1,084,601
Total transactions with owners	-	1,084,601	1,084,601
At 31 December 2019	1	3,545,749	3,545,750

The notes on pages 9 to 19 form part of these financial statements.

ACACIA TECHNOLOGIES (UK) LIMITED

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

1. General information

Acacia Technologies (UK) Limited is a private company limited by shares incorporated in England and Wales. The address of the registered office is disclosed on the company information page.

On July 8, 2019, the ultimate holding company, Acacia Communications, Inc., entered into an Agreement and Plan of Merger (the "Merger Agreement") with Cisco Systems, Inc. ("Cisco"), a California corporation, and Amarone Acquisition Corp, a Delaware corporation and a wholly owned subsidiary of Cisco (the "Merger Sub"). The Merger Agreement provides for the merger of the Merger Sub with and into Acacia Communications, Inc. and all of its subsidiaries (the "Merger"), with Acacia Technologies (UK) Limited surviving the Merger as a wholly owned subsidiary of Cisco. If the Merger is completed, each share of the parent company's common stock issued and outstanding immediately prior to the effective time of the Merger, subject to certain exceptions, will be converted into the right to receive \$70.00 in cash. The transaction is subject to certain conditions, including the adoption of the Merger Agreement and approval of the Merger by the parent company's stockholders, as well as obtaining regulatory approvals. Subject to the satisfaction of these conditions, the parties expect the Merger to close in the first half of Cisco's 2021 fiscal year and therefore the acquisition is still in progress at the date of signing the accounts.

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 following principal accounting policies have been applied:

2.2 Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Acacia Communications, Inc as at 31 December 2019 and these financial statements may be obtained from <http://ir.acacia-inc.com>.

2.3 Revenue

Revenue represents the amount of fee payable to the Company in respect of services provided during the year to other group companies. The Company recognises revenue in accordance with underlying service agreements.

ACACIA TECHNOLOGIES (UK) LIMITED

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

2. Accounting policies (continued)

2.4 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is USD.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the monthly exchange rates at the date 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 Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

2.5 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

2.6 Research and development

All expenditure on research and development is recognised as an expense when it is incurred.

2.7 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 Comprehensive Income 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.

ACACIA TECHNOLOGIES (UK) LIMITED

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

2. Accounting policies (continued)

2.8 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, 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 reporting 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 Statement of Financial Position 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 reporting date.

2.9 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

The estimated useful lives range as follows:

Computer software	-	3 years straight line
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2.10 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.

ACACIA TECHNOLOGIES (UK) LIMITED

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

2. Accounting policies (continued)

2.10 Tangible fixed assets (continued)

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:

Leasehold improvements	-	Over life of the lease
Plant and machinery	-	3 - 7 years straight line
Computer equipment	-	3 years straight line

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 Comprehensive Income.

2.11 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Comprehensive Income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

2.12 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.

3. Turnover

All of the company's turnover in the current and preceding period arose from the provision of services to the USA.

4. Other operating income

	2019 \$	2018 \$
Research & development tax credit	258,268	218,719
	<u>258,268</u>	<u>218,719</u>

ACACIA TECHNOLOGIES (UK) LIMITED

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

5. Operating profit

The operating profit is stated after charging:

	2019	2018
	\$	\$
Research & development charged as an expense	2,152,231	1,822,657
Depreciation of tangible fixed assets	426,129	206,936
Amortisation of intangible assets, including goodwill	21,994	2,014
Exchange differences	73,248	75,043
Other operating lease rentals	147,965	156,631
Defined contribution pension cost	<u>54,263</u>	<u>38,582</u>

6. Auditors' remuneration

	2019	2018
	\$	\$
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	14,162	12,545
All other services	<u>25,998</u>	<u>24,192</u>

ACACIA TECHNOLOGIES (UK) LIMITED

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

7. Employees

Staff costs were as follows:

	2019 \$	2018 \$
Wages and salaries	1,598,430	1,421,257
Social security costs	340,999	236,073
Cost of defined contribution scheme	54,263	38,582
	<u>1,993,692</u>	<u>1,695,912</u>

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

	2019 No.	2018 No.
Management	1	1
Production	8	7
	<u>9</u>	<u>8</u>

8. Taxation

	2019 \$	2018 \$
Corporation tax		
Current tax on profits for the year	58,153	7,298
	<u>58,153</u>	<u>7,298</u>
Total current tax	<u>58,153</u>	<u>7,298</u>
Deferred tax		
Origination and reversal of timing differences	(108,361)	58,124
Total deferred tax	<u>(108,361)</u>	<u>58,124</u>
Taxation on (loss)/profit on ordinary activities	<u>(50,208)</u>	<u>65,422</u>

ACACIA TECHNOLOGIES (UK) LIMITED

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

8. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - higher than) the standard rate of corporation tax in the UK of 19% (2018 - 19%). The differences are explained below:

	2019 \$	2018 \$
Profit on ordinary activities before tax	<u>521,029</u>	<u>255,488</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	98,996	48,543
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	5,105	248,200
Share based payments	(117,927)	-
Taxation on Research and Development claim	(9,089)	34,841
Adjustments to tax charge in respect of prior periods	6,838	581
Tax deduction arising from exercise of employee options	(33,179)	(101,943)
Other differences leading to an increase (decrease) in the tax charge	(952)	-
Transfer pricing adjustments	-	(164,800)
Total tax charge for the year	<u>(50,208)</u>	<u>65,422</u>

ACACIA TECHNOLOGIES (UK) LIMITED

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

9. Intangible assets

	Computer software \$
Cost	
At 1 January 2019	24,167
At 31 December 2019	24,167
Amortisation	
At 1 January 2019	2,014
Charge for the year	8,055
At 31 December 2019	10,069
Net book value	
At 31 December 2019	14,098
At 31 December 2018	22,153

10. Tangible fixed assets

	Leasehold improvements \$	Plant and machinery \$	Computer equipment \$	Total \$
Cost or valuation				
At 1 January 2019	247,604	857,654	-	1,105,258
Additions	467,693	328,846	62,724	859,263
At 31 December 2019	715,297	1,186,500	62,724	1,964,521
Depreciation				
At 1 January 2019	88,285	157,237	-	245,522
Charge owned for the period	201,168	224,961	13,939	440,068
At 31 December 2019	289,453	382,198	13,939	685,590
Net book value				
At 31 December 2019	425,844	804,302	48,785	1,278,931
At 31 December 2018	159,319	700,417	-	859,736

ACACIA TECHNOLOGIES (UK) LIMITED

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

11. Debtors

	2019 \$	2018 \$
Amounts owed by group undertakings	1,839,815	673,878
Other debtors	90,752	146,335
Prepayments and accrued income	85,462	103,531
Tax recoverable	476,987	392,790
Deferred taxation	50,237	-
	<u>2,543,253</u>	<u>1,316,534</u>

12. Creditors: Amounts falling due within one year

	2019 \$	2018 \$
Trade creditors	71,506	52,225
Amounts owed to group undertakings	19,420	315,300
Corporation tax	64,876	39,489
Accruals and deferred income	223,971	126,350
	<u>379,773</u>	<u>533,364</u>

13. Deferred taxation

	2019 \$
At beginning of year	(58,124)
Charged to profit or loss	108,361
At end of year	<u>50,237</u>

The deferred taxation balance is made up as follows:

	2019 \$	2018 \$
Fixed asset timing differences	(70,394)	(58,124)
Short term timing differences	120,631	-
	<u>50,237</u>	<u>(58,124)</u>

ACACIA TECHNOLOGIES (UK) LIMITED

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

14. Provisions

	Dilapidations \$
Capitalised in fixed assets	112,090
At 31 December 2019	112,090

15. Share capital

	2019 \$	2018 \$
Allotted, called up and fully paid		
1 (2018 - 1) Ordinary share of \$1.00	<u>1</u>	<u>1</u>

16. Reserves

Profit and loss account

This reserve records retained earnings and accumulated losses.

17. Share based payments

During the period, Acacia Communications, Inc., the ultimate parent entity of the Company, granted Restricted Stock Units (RSUs) to its worldwide employees on a time-based service conditions only. As soon as practicable following each vesting date, Acacia Communications, Inc. will issue to the holder of the the number of shares of common Ordinary stock in Acacia Communications, Inc. equal to the aggregate number of RSUs that have vested. 25% of the units granted to each employee vest one year after the vesting start date, with 6.25% of the units vesting after every subsequent quarter.

18. Commitments under operating leases

At 31 December 2019 the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 \$	2018 \$
Not later than 1 year	158,431	153,852
Later than 1 year and not later than 5 years	145,228	294,882
	<u>303,659</u>	<u>448,734</u>

ACACIA TECHNOLOGIES (UK) LIMITED

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

19. Post balance sheet events

An outbreak of SARS-CoV-2, and the coronavirus disease, COVID-19, was identified in China in late 2019 and has globally spread throughout other areas such as Asia, Europe, the Middle East and North America. The Centers for Disease Control and Prevention has recognized this outbreak as a pandemic which has resulted in authorities imposing, and businesses and individuals implementing, numerous unprecedented measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place/stay-at-home and social distancing orders and shutdowns. These measures have impacted and may further impact the company's workforce and operations, the operations of the company's customers, and those of the company's and its customers respective vendors, suppliers and partners. While the pandemic and these measures did not have a significant impact on the company's financial results for the financial year ended 31 December 2019, the extent to which the COVID-19 pandemic could impact the company's going forward results of operations will depend on future developments that are highly uncertain and cannot be predicted, including new information that may emerge concerning the severity of the virus and the actions to contain its impact and the duration of the pandemic and related responsive measures. The company is in the process of monitoring and assessing the effect of the COVID-19 pandemic.

20. Ultimate parent company

The directors regard Acacia Communications, Inc. a company incorporated in the United States, as the ultimate holding company. The immediate parent company is Acacia Communications (Ireland) Limited, a company incorporated in Ireland. Copies of the ultimate parent company's consolidated financial statements are available on their website, <http://ir.acacia-inc.com> or from 3 Mill & Main Place, Suite 400, Maynard, MA 01754. This is the largest and smallest group of undertakings for which consolidated financial statements are available.

The directors do not consider there to be an ultimate controlling party.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.