

Company registration number: 10233741

**DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2017**

**ACACIA TECHNOLOGIES
(UK) LIMITED**



MENZIES
BRIGHTER THINKING

ACACIA TECHNOLOGIES (UK) LIMITED

COMPANY INFORMATION

Directors	J Asgelrsson J Gavin
Company secretary	J Asgelrsson
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 (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

This report was approved by the board on

and signed on its behalf,


J Gavin
Director

September 19, 2018

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS 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 2017, 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 2017 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 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.

ACACIA TECHNOLOGIES (UK) LIMITED

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INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS 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 these 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.

Menzies LLP

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

Date:

21 Sep 2018

ACACIA TECHNOLOGIES (UK) LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2017

		31 December 2017	Period from 15 June to 31 December 2016
	Note	\$	\$
Turnover	3	2,303,715	877,367
Gross profit		2,303,715	877,367
Administrative expenses		(5,005,112)	(1,951,362)
Other operating income	4	231,584	-
Operating loss	5	(2,469,813)	(973,995)
Tax on loss	8	(45,416)	(24,119)
Loss for the financial year/period		(2,515,229)	(998,114)

There was no other comprehensive income for 2017 (2016:\$NIL).

The notes on pages 9 to 16 form part of these financial statements.

ACACIA TECHNOLOGIES (UK) LIMITED
REGISTERED NUMBER: 10233741

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 £	2016 £
Fixed assets			
Tangible assets	9	187,780	-
		<u>187,780</u>	<u>-</u>
Current assets			
Debtors: amounts falling due within one year	10	766,000	1,084,672
Cash at bank and in hand		844,378	-
		<u>1,609,378</u>	<u>1,084,672</u>
Current liabilities			
Creditors: amounts falling due within one year	11	(1,643,929)	(1,027,392)
Net current assets		<u>66,449</u>	<u>57,280</u>
Total assets less current liabilities		<u>253,229</u>	<u>57,280</u>
Net assets		<u>253,229</u>	<u>57,280</u>
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account	13	253,228	57,279
		<u>253,229</u>	<u>57,280</u>

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

J Gavin
 Director

September 29, 2018

The notes on pages 9 to 16 form part of these financial statements.

ACACIA TECHNOLOGIES (UK) LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2017

	Called-up share capital	Profit and loss account	Total equity
	\$	\$	\$
Comprehensive Income for the period			
Loss for the period	-	(998,114)	(998,114)
Other comprehensive income for the period	-	-	-
Total comprehensive income for the period	-	(998,114)	(998,114)
Shares issued during the period	1	-	1
Share based payment transactions	-	1,055,393	1,055,393
Total transactions with owners	1	1,055,393	1,055,394
At 1 January 2017	1	57,279	57,280
Comprehensive Income for the year			
Loss for the year	-	(2,515,229)	(2,515,229)
Total comprehensive income for the year	-	(2,515,229)	(2,515,229)
Share based payment transactions	-	2,711,178	2,711,178
Total transactions with owners	-	2,711,178	2,711,178
At 31 December 2017	1	253,228	253,229

The notes on pages 9 to 16 form part of these financial statements.

ACACIA TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General Information

Acacia Technologies (UK) Limited is a private company limited by shares. It is registered in England within the United Kingdom. Details of its registered office can be found on the Company Information page of 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 4 Statement of Financial Position paragraph 4.12(a)(iv);
- 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 2017 and these financial statements may be obtained from <http://ir.acacia-inc.com>.

2.3 Turnover

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

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 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 Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

ACACIA TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

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

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. In the development phase of an internal project, the expenditure is also treated 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.

2.8 Taxation

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.

ACACIA TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.9 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:

Leasehold improvements - 5 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.

2.10 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 other third parties, loans to related parties and investments in non-puttable 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

	31 December 2017 \$	Period from 15 June to 31 December 2016 \$
Research & development tax credit	231,584	-
	<u>231,584</u>	<u>-</u>

ACACIA TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

5. Operating loss

The operating loss is stated after charging:

	31 December 2017	Period from 15 June to 31 December 2016
	\$	\$
Research & development charged as an expense	1,582,460	522,841
Depreciation of tangible fixed assets	38,586	-
Exchange differences	(1,001)	(1,636)
Other operating lease rentals	144,342	11,354
Defined contribution pension cost	30,581	12,042
	<u>1,784,968</u>	<u>544,601</u>

6. Auditors' remuneration

	31 December 2017	Period from 15 June to 31 December 2016
	\$	\$
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	12,142	11,074
Taxation compliance services	4,047	2,461
All other services	2,024	3,691
	<u>18,213</u>	<u>17,226</u>

ACACIA TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

7. Employees

Staff costs were as follows:

	31 December 2017	Period from 15 June to 31 December 2016
	\$	\$
Wages and salaries	1,143,007	416,469
Social security costs	236,154	49,322
Cost of defined contribution scheme	30,581	12,042
	<u>1,409,742</u>	<u>476,823</u>

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

	31 December 2017 No.	Period from 15 June to 31 December 2016 No.
Management	1	1
Production	6	6
	<u>7</u>	<u>6</u>

8. Taxation

	31 December 2017	Period from 15 June to 31 December 2016
	\$	\$
Corporation tax		
Current tax on loss for the year/period	43,843	24,119
Adjustments in respect of previous periods	1,573	-
Total current tax	<u>45,416</u>	<u>24,119</u>
Taxation on loss on ordinary activities	<u>45,416</u>	<u>24,119</u>

ACACIA TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

8. Taxation (continued)

Factors affecting tax charge for the year/period

The tax assessed for the year/period is lower than (2016 - lower than) the standard rate of corporation tax in the UK of 19.25% (2016 - 20%). The differences are explained below:

	31 December 2017 \$	Period from 18 June to 31 December 2016 \$
Loss on ordinary activities before tax	(2,469,813)	(973,995)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 - 20%)	(475,439)	(194,799)
Effects of:		
Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	519,891	218,918
Capital allowances for year/period in excess of depreciation	(15,788)	-
Adjustments to tax charge in respect of prior periods	1,573	-
Tax deduction arising from exercise of restricted stock units	(151,790)	-
Transfer pricing adjustments	166,969	-
Total tax charge for the year/period	45,416	24,119

ACACIA TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

9. Tangible fixed assets

	Leasehold improvements \$
Cost or valuation	
Additions	226,366
At 31 December 2017	226,366
Depreciation	
Charge for the year on owned assets	38,586
At 31 December 2017	38,586
Net book value	
At 31 December 2017	187,780
At 31 December 2016	-

10. Debtors

	2017 \$	2016 \$
Amounts owed by group undertakings	67,667	877,368
Other debtors	614,510	171,597
Prepayments and accrued income	82,923	36,707
	765,000	1,084,672

11. Creditors: Amounts falling due within one year

	2017 \$	2016 \$
Trade creditors	256,996	-
Amounts owed to group undertakings	1,115,462	946,465
Corporation tax	69,535	24,119
Accruals and deferred income	101,936	56,818
	1,543,929	1,027,392

ACACIA TECHNOLOGIES (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

12. Share capital

	2017 \$	2016 \$
Alotted, called up and fully paid		
1 Ordinary share of \$1	1	1

13. Reserves

Profit and loss account

This reserve records retained earnings and accumulated losses.

14. 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.

15. Pension commitments

As at 31 December 2017 there were \$nil (2016: \$5,546) pension contributions accrued in relation to the company's defined contribution scheme.

16. 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.