

Registered number. 06194475

CAVIUM NETWORKS UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2011



CAVIUM NETWORKS UK LIMITED

COMPANY INFORMATION

DIRECTORS	A Chadwick S Ali
COMPANY SECRETARY	FW Stephens (Secretarial) Limited
COMPANY NUMBER	06194475
REGISTERED OFFICE	Third Floor 24 Chiswell Street London EC1Y 4YX
AUDITORS	Menzies LLP Chartered Accountants Statutory Auditor Lynton House 7-12 Tavistock Square London WC1H 9LT
ACCOUNTANTS	Reeves & Co LLP Third Floor 24 Chiswell Street London EC1Y 4YX

CAVIUM NETWORKS UK LIMITED

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CAVIUM NETWORKS UK LIMITED

DIRECTORS' REPORT for the year ended 31 December 2011

The directors present their report and the financial statements for the year ended 31 December 2011

PRINCIPAL ACTIVITIES

The principal activity of the company is to sell semiconductor processors through a direct sales and applications support organisation to providers of networking equipment, original design manufacturers and contract electronics manufacturers

DIRECTORS

The directors who served during the year were

A Chadwick
S Ali

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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- 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 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.

PROVISION 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 that director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

CAVIUM NETWORKS UK LIMITED

DIRECTORS' REPORT
for the year ended 31 December 2011

AUDITORS

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

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

This report was approved by the board on *Sept 24, 2012* and signed on its behalf



A. Chadwick
Director

CAVIUM NETWORKS UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CAVIUM NETWORKS UK LIMITED

We have audited the financial statements of Cavium Networks UK Limited for the year ended 31 December 2011, set out on pages 5 to 12. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

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.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

CAVIUM NETWORKS UK LIMITED

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF CAVIUM NETWORKS UK LIMITED

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where 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 prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the Directors' report



Chris Evans (Senior Statutory auditor)

For and on behalf of
Menzies LLP
Chartered Accountants
Statutory Auditor

Lynton House
7-12 Tavistock Square
London
WC1H 9LT

Date 

CAVIUM NETWORKS UK LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2011

	Note	2011 £	2010 £
TURNOVER	1,2	3,057,646	2,441,232
Administrative expenses		(2,884,570)	(2,304,462)
Other operating income	3	3,934	7,276
OPERATING PROFIT	4	177,010	144,046
Interest receivable and similar income		8	52
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		177,018	144,098
Tax on profit on ordinary activities	7	(41,585)	(41,700)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		135,433	102,398
PROFIT BROUGHT FORWARD		168,699	66,301
RETAINED PROFIT CARRIED FORWARD		304,132	168,699

The notes on pages 7 to 12 form part of these financial statements

CAVIUM NETWORKS UK LIMITED
Registered number 06194475

BALANCE SHEET
as at 31 December 2011

	Note	£	2011 £	£	2010 £
FIXED ASSETS					
Tangible assets	8		1,864		-
CURRENT ASSETS					
Debtors	9	542,532		176,130	
Cash at bank		157,149		119,733	
		<u>699,681</u>		<u>295,863</u>	
CREDITORS amounts falling due within one year	10	(397,412)		(127,163)	
NET CURRENT ASSETS			<u>302,269</u>		<u>168,700</u>
NET ASSETS			<u>304,133</u>		<u>168,700</u>
CAPITAL AND RESERVES					
Called up share capital	11		1		1
Profit and loss account			<u>304,132</u>		<u>168,699</u>
SHAREHOLDERS' FUNDS	12		<u>304,133</u>		<u>168,700</u>

The financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

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

Sept 24, 2012

A. Chadwick

A. Chadwick
Director

The notes on pages 7 to 12 form part of these financial statements

CAVIUM NETWORKS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2011

1. ACCOUNTING POLICIES

1.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

1.2 CASH FLOW

The financial statements do not include a Cash flow statement because the company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective April 2008)

1.3 TURNOVER

Turnover comprises revenue recognised by the company in respect of services supplied during the year, exclusive of Value Added Tax and trade discounts

1.4 TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases

Computer equipment	-	50% straight line
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1.5 OPERATING LEASES

Rentals under operating leases are charged to the Profit and loss account on a straight line basis over the lease term

1.6 FOREIGN CURRENCIES

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at rates of exchange ruling at the balance sheet date

Transactions in foreign currencies are translated into sterling at the rate ruling on the date of the transaction

Exchange gains and losses are recognised in the Profit and loss account

1.7 PENSIONS

The company operates a defined contribution pension scheme and the pension charge represents the amounts payable by the company to the fund in respect of the year

2. TURNOVER

In the year to 31 December 2011, all (2010 all) of the company's turnover was to markets outside the UK

CAVIUM NETWORKS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

3. OTHER OPERATING INCOME

	2011	2010
	£	£
Other operating income	3,934	7,276

4. OPERATING PROFIT

The operating profit is stated after charging

	2011	2010
	£	£
Depreciation of tangible fixed assets - owned by the company	266	-
Auditors' remuneration	8,318	9,688
Pension costs	51,101	37,533

During the year, no director received any emoluments (2010 - £NIL)

5. STAFF COSTS

Staff costs were as follows

	2011	2010
	£	£
Wages and salaries	1,983,348	1,582,941
Social security costs	302,611	241,804
Other pension costs	51,101	37,533
	2,337,060	1,862,278

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

2011	2010
No.	No
20	20

6. SHARE OPTION SCHEME

The company's ultimate parent company, Cavium, Inc operates a share scheme for certain employees

At the year end there were 102,689 (2010 - 93,688) shares potentially available for issue under this scheme to 9 (2010 - 10) members of staff of Cavium Networks UK Limited

On 10th March 2011 the company granted 25,460 options in the parent company, Cavium, Inc, a company incorporated in the United States of America, at an option price of £23.01. Cavium Inc is listed on the Nasdaq

CAVIUM NETWORKS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

6. SHARE OPTION SCHEME (continued)

During the year three (2010 - two) employees exercised their options in Cavium, Inc. The total number of ordinary shares issued were 16,459 (2010 - 3,071) at a premium of £142,013 (2010 - £22,775). No options for shares (2010 - 2,967) lapsed in the period.

As a general rule, 12.5% of the shares subject to the Option will vest six months after the Vesting Commencement Date, and 1/48 of the shares subject to the Option will vest on each monthly anniversary of the Vesting Commencement Date thereafter.

Options lapse upon the earliest of any of the following:

- (a) three (3) months after the termination of Continuous Service for any reason other than Disability or death (the "Three Month Post-Termination Exercise Period"),
- (b) twelve (12) months after the termination of Continuous Service due to Disability,
- (c) eighteen (18) months after death, if occurring either during Continuous Service or within three (3) months after Continuous Service terminates,
- (d) the Expiration Date indicated in the Grant Notice, or
- (e) the day before the seventh (7th) anniversary of the Date of Grant.

7. TAXATION

	2011 £	2010 £
ANALYSIS OF TAX CHARGE IN THE YEAR		
UK corporation tax charge on profit for the year	41,700	41,700
Adjustments in respect of prior periods	(115)	-
TAX ON PROFIT ON ORDINARY ACTIVITIES	41,585	41,700

CAVIUM NETWORKS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

8 TANGIBLE FIXED ASSETS

	Computer equipment £
COST	
At 1 January 2011	-
Additions	2,130
At 31 December 2011	<u>2,130</u>
DEPRECIATION	
At 1 January 2011	-
Charge for the year	266
At 31 December 2011	<u>266</u>
NET BOOK VALUE	
At 31 December 2011	<u><u>1,864</u></u>
At 31 December 2010	<u><u>-</u></u>

9. DEBTORS

	2011 £	2010 £
Amounts owed by group undertakings	251,728	142,502
Other debtors	290,804	33,628
	<u>542,532</u>	<u>176,130</u>

**10 CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2011 £	2010 £
Trade creditors	24,245	5,493
Amounts owed to group undertakings	-	3,674
Corporation tax	41,700	41,744
Social security and other taxes	53,884	33,274
Other creditors	277,583	42,978
	<u>397,412</u>	<u>127,163</u>

CAVIUM NETWORKS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2011

11. SHARE CAPITAL

	2011 £	2010 £
ALLOTTED, CALLED UP AND FULLY PAID		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

12 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £	2010 £
Opening shareholders' funds	168,700	66,302
Profit for the year	135,433	102,398
Closing shareholders' funds	<u>304,133</u>	<u>168,700</u>

13 PENSION COMMITMENTS

The company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £51,101 (2010 - £37,533). Contributions totalling £10,694 (2010 - £23,347) were payable to the fund at the balance sheet date and are included in creditors.

14. OPERATING LEASE COMMITMENTS

At 31 December 2011 the company had annual commitments under non-cancellable operating leases as follows

	2011 £	2010 £
EXPIRY DATE:		
Within 1 year	<u>15,226</u>	<u>15,568</u>

CAVIUM NETWORKS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2011

15. RELATED PARTY TRANSACTIONS

The results of Cavium Networks UK Limited are included within the consolidated accounts of Cavium, Inc. Cavium Networks UK Limited is therefore able to take advantage of the exemptions conferred by the Financial Reporting Standard for Smaller Entities (effective April 2008), not to disclose details of transactions with entities within the same group. Year end balances with group companies are shown below.

Included within debtors is
£251,728 (2010 - £142,502) due from Cavium, Inc.

Included within creditors is
£Nil (2010 - £3,674) owed to MontaVista Software GmbH.

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company is under the control of its parent company, Cavium, Inc., a company incorporated in the United States of America. Group financial statements are available from 2315 N First Street, San Jose, CA 95131, USA.

CAVIUM NETWORKS UK LIMITED

DETAILED TRADING AND PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2011

	Page	2011 £	2010 £
Turnover	14	3,057,646	2,441,232
Other operating income	14	3,934	7,276
		<u>3,061,580</u>	<u>2,448,508</u>
Less Overheads			
Administration expenses	14	(2,884,570)	(2,304,462)
		<u>177,010</u>	<u>144,046</u>
Operating profit			
Interest receivable	15	8	52
		<u>177,018</u>	<u>144,098</u>
Profit for the year		<u>177,018</u>	<u>144,098</u>

CAVIUM NETWORKS UK LIMITED

**SCHEDULE TO THE DETAILED ACCOUNTS
for the year ended 31 December 2011**

	2011 £	2010 £
Turnover		
Sales	<u>3,057,646</u>	<u>2,441,232</u>
	2011 £	2010 £
Other operating income		
Other operating income	<u>3,934</u>	<u>7,276</u>
	2011 £	2010 £
Administration expenses		
Staff salaries	1,983,348	1,582,941
Staff national insurance	132,044	103,033
Staff pension costs - money purchase schemes	51,101	37,533
Staff training	990	957
Employer's EU Social Security Costs	170,567	138,771
Motor running costs	-	1,353
Entertainment	20,111	22,109
Hotels, travel and subsistence	243,435	164,738
Consultancy	338	-
Printing and stationery	8,999	4,528
Postage	3,713	3,389
Telephone and fax	46,619	32,703
Computer costs	8,324	6,575
Advertising and promotion	1,054	1,410
Trade subscriptions	210	464
Legal and professional	9,291	17,641
Auditors' remuneration	8,318	9,688
Accountancy fees	81,828	95,684
Bank charges	7,039	4,091
Difference on foreign exchange	26,472	20,646
Sundry expenses	6,543	1,887
Rent - non-operating leases	26,153	13,792
Rent - operating leases	25,359	25,314
Insurances	5,206	1,710
Repairs and maintenance	-	40
Premises expenses	747	293
Depreciation - computer equipment	266	-
Health Insurance	12,639	13,172
Conference/Seminar/Meeting	3,856	-
	<u>2,884,570</u>	<u>2,304,462</u>

CAVIUM NETWORKS UK LIMITED

**SCHEDULE TO THE DETAILED ACCOUNTS
for the year ended 31 December 2011**

	2011	2010
	£	£
Interest receivable		
Bank interest receivable	8	52