

CAVIUM NETWORKS UK LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2009

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CAVIUM NETWORKS UK LIMITED

COMPANY INFORMATION

DIRECTORS	Mr A Chadwick S Ali
COMPANY SECRETARY	FW Stephens (Secretarial) Limited
COMPANY NUMBER	06194475
REGISTERED OFFICE	Third Floor 24 Chiswell Street London EC1Y 4YX
AUDITORS	Target Winters Chartered Accountants & Statutory Auditor 29 Ludgate Hill London EC4M 7JE
ACCOUNTANTS	Reeves & Co LLP Chartered Accountants 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 2009

The directors present their report and the financial statements for the year ended 31 December 2009

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

On 18 December 2009 the parent company acquired the business of MontaVista Software Inc in the US. This resulted in the trade of the UK company MontaVista Software UK Limited being transferred into Cavium Networks UK Limited in early 2010. This acquisition will further increase the company's trade and geographic customer base across Europe, which is expected to result in increased profits in 2010.

DIRECTORS

The directors who served during the year were

Mr A Chadwick
S Ali

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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 2009

AUDITORS

The auditors, Target Winters, 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 *November 19, 2010* 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 2009, set out on pages 5 to 10. 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 Statement of directors' responsibilities, 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 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.

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 2009 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 and the Directors' report in accordance with the small companies regime


Chris Evans (Senior statutory auditor)

for and on behalf of
TARGET WINTERS

Chartered Accountants
Statutory Auditor

29 Ludgate Hill
London
EC4M 7JE

Date 23 November 2010

CAVIUM NETWORKS UK LIMITED

PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2009

	Note	2009 £	2008 £
TURNOVER	1	898,851	506,158
Administrative expenses		<u>(847,903)</u>	<u>(477,508)</u>
OPERATING PROFIT	3	50,948	28,650
Interest receivable		<u>29</u>	<u>47</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		50,977	28,697
Tax on profit on ordinary activities	5	<u>(12,175)</u>	<u>(7,005)</u>
PROFIT FOR THE FINANCIAL YEAR	9	<u>38,802</u>	<u>21,692</u>

The notes on pages 7 to 10 form part of these financial statements

CAVIUM NETWORKS UK LIMITED
Registered number: 06194475

BALANCE SHEET
as at 31 December 2009

	Note	£	2009 £	£	2008 £
CURRENT ASSETS					
Debtors	6	4,340		52,264	
Cash at bank		109,638		13,143	
		<u>113,978</u>		<u>65,407</u>	
CREDITORS amounts falling due within one year	7	(47,676)		(37,907)	
NET CURRENT ASSETS			<u>66,302</u>		<u>27,500</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>66,302</u>		<u>27,500</u>
CAPITAL AND RESERVES					
Called up share capital	8		1		1
Profit and loss account	9		66,301		27,499
SHAREHOLDERS' FUNDS	10		<u>66,302</u>		<u>27,500</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
November 19, 2010.

A. Chadwick

A. Chadwick
Director

The notes on pages 7 to 10 form part of these financial statements

CAVIUM NETWORKS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009

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, exclusive of Value Added Tax

1.4 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

2. TURNOVER

In the year to 31 December 2009, all (2008 all) of the company's turnover was to markets outside the UK

3. OPERATING PROFIT

The operating profit is stated after charging

	2009 £	2008 £
Auditors' remuneration	3,450	3,000

During the year, no director received any emoluments (2008 - £NIL)

CAVIUM NETWORKS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

4 STAFF COSTS

Staff costs were as follows

	2009 £	2008 £
Wages and salaries	518,498	300,386
Social security costs	20,393	13,046
	<u>538,891</u>	<u>313,432</u>

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

	2009 No.	2008 No
	<u>7</u>	<u>2</u>

5 TAXATION

	2009 £	2008 £
ANALYSIS OF TAX CHARGE IN THE YEAR		
UK corporation tax charge on profit for the year	12,200	7,005
Adjustments in respect of prior periods	(25)	-
	<u>12,175</u>	<u>7,005</u>
TAX ON PROFIT ON ORDINARY ACTIVITIES		

6 DEBTORS

	2009 £	2008 £
Amounts owed by group undertakings	-	49,264
Other debtors	4,340	3,000
	<u>4,340</u>	<u>52,264</u>

CAVIUM NETWORKS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 2009

7 CREDITORS:
AMOUNTS FALLING DUE WITHIN ONE YEAR

	2009 £	2008 £
Amounts owed to group undertakings	13,563	-
Corporation tax	12,200	7,075
Social security and other taxes	5,811	6,612
Other creditors	16,102	24,220
	<u>47,676</u>	<u>37,907</u>

8 SHARE CAPITAL

	2009 £	2008 £
ALLOTTED, CALLED UP AND FULLY PAID		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

9 RESERVES

	Profit and loss account £
At 1 January 2009	27,499
Profit for the year	38,802
	<u>66,301</u>
At 31 December 2009	<u>66,301</u>

10 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2009 £	2008 £
Opening shareholders' funds	27,500	5,808
Profit for the year	38,802	21,692
	<u>66,302</u>	<u>27,500</u>
Closing shareholders' funds	<u>66,302</u>	<u>27,500</u>

CAVIUM NETWORKS UK LIMITED

NOTES TO THE FINANCIAL STATEMENTS for the year ended 31 December 2009

11 RELATED PARTY TRANSACTIONS

During the year Cavium Networks Inc, the parent company which is incorporated in the United States of America, met expenditure totalling £961,603 (2008 £480,676), relating Cavium Networks UK Limited and transferred a total of £955,470 (2008 £480,620) to Cavium Networks UK Limited. Cavium Networks UK Limited made sales to Cavium Networks Inc totalling £898,776 (2008 £506,158).

At the year end a total of £13,563 (2008 due £49,264) was owed to Cavium Networks Inc and is included within Creditors under 'Amounts owed by group undertakings'.

12 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company is under the control of its parent company, Cavium Networks Inc, a company incorporated in the United States of America. Group financial statements are available from 805 East Middlefield Road, Mountain View, CA 94043, USA.