

Registered number: 06194475

Cavium Networks UK Limited

**Directors' report and financial statements
for the year ended 31 December 2014**

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Cavium Networks UK Limited

Company Information

Directors	A. Chadwick S. Ali
Company secretary	FW Stephens (Secretarial) Limited
Registered number	06194475
Registered office	Third Floor 24 Chiswell Street London EC1Y 4YX
Independent auditors	Menzies LLP Lynton House 7-12 Tavistock Square London WC1H 9LT
Accountants	Kreston Reeves 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 2014

The directors present their report and the financial statements for the year ended 31 December 2014.

Principal activities

The principal activities 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 accounting 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.

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 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 relevant audit information 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 2014**

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 25, 2015* 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 2014, set out on pages 5 to 11. 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 to take advantage of the small companies' exemption from the requirement to prepare a Strategic report or in preparing the Directors' report.



Richard Watson FCCA (Senior statutory auditor)
for and on behalf of

Menzies LLP

Chartered Accountants & Statutory Auditor

Lynton House

7-12 Tavistock Square

London

WC1H 9LT

Date: 30 September 2015

Cavium Networks UK Limited

**Profit and loss account
for the year ended 31 December 2014**

	Note	2014 £	2013 £
Turnover	1,2	1,668,930	2,224,193
Administrative expenses		(1,566,679)	(2,098,296)
Operating profit	3	102,251	125,897
Interest receivable and similar income		8	64
Interest payable and similar charges		(20)	-
Profit on ordinary activities before taxation		102,239	125,961
Tax on profit on ordinary activities	6	(25,149)	(27,127)
Profit on ordinary activities after taxation		77,090	98,834
Profit brought forward		508,592	409,758
Retained profit carried forward		585,682	508,592

The notes on pages 7 to 11 form part of these financial statements.

Cavium Networks UK Limited
Registered number: 06194475

Balance sheet
as at 31 December 2014

	Note	£	2014 £	£	2013 £
Fixed assets					
Tangible assets	7		4,099		7,081
Current assets					
Debtors	8	307,698		350,526	
Cash at bank		435,151		358,784	
		<u>742,849</u>		<u>709,310</u>	
Creditors: amounts falling due within one year	9	<u>(161,265)</u>		<u>(207,798)</u>	
Net current assets			<u>581,584</u>		<u>501,512</u>
Total assets less current liabilities			<u><u>585,683</u></u>		<u><u>508,593</u></u>
Capital and reserves					
Called up share capital	10		1		1
Profit and loss account			<u>585,682</u>		<u>508,592</u>
Shareholders' funds	11		<u><u>585,683</u></u>		<u><u>508,593</u></u>

The financial statements have been prepared in accordance with the provisions applicable to small companies 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 25, 2015

[Signature]

A. Chadwick
 Director

The notes on pages 7 to 11 form part of these financial statements.

Cavium Networks UK Limited

Notes to the financial statements for the year ended 31 December 2014

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	-	33.33% 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 Deferred taxation

Full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

1.7 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.

Cavium Networks UK Limited

Notes to the financial statements for the year ended 31 December 2014

1. Accounting policies (continued)

1.8 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 2014, all (2013: all) of the company's turnover was to markets outside the UK.

3. Operating profit

The operating profit is stated after charging:

	2014 £	2013 £
Depreciation of tangible fixed assets:		
- owned by the company	2,982	2,629
Auditors' remuneration	6,250	6,200
Pension costs	58,661	78,279
	<u>67,893</u>	<u>87,108</u>

During the year, no director received any emoluments (2013 - £NIL).

4. Staff costs

Staff costs were as follows:

	2014 £	2013 £
Wages and salaries	948,650	1,269,271
Social security costs	184,134	253,985
Other pension costs	58,661	78,279
	<u>1,191,445</u>	<u>1,601,535</u>

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

2014 No.	2013 No.
11	17
<u>11</u>	<u>17</u>

Cavium Networks UK Limited

Notes to the financial statements for the year ended 31 December 2014

5. Share option scheme

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

At the year end there were 16,875 (2013 - 17,638) shares potentially available for issue under this scheme to 1 (2013 - 1) member of staff of Cavium Networks UK Limited.

On 7th February 2014 the company granted 1,500 options in the parent company, Cavium, Inc, a company incorporated in the United States of America, at an option price of £23.19. Cavium Inc. is listed on the Nasdaq.

During the year one (2013 - three) employees exercised their options in Cavium, Inc. The total number of ordinary shares issued were 2,263 (2013 - 6,366) at a premium of £26,483 (2013 - £86,853). Options for no further shares (2013 - 18,518) 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."

6. Taxation

	2014 £	2013 £
Analysis of tax charge in the year		
UK corporation tax charge on profit for the year	24,300	27,200
Adjustments in respect of prior periods	849	(73)
Tax on profit on ordinary activities	<u>25,149</u>	<u>27,127</u>

Cavium Networks UK Limited

**Notes to the financial statements
for the year ended 31 December 2014**

7. Tangible fixed assets

	Computer equipment £
Cost	
At 1 January 2014 and 31 December 2014	11,078
Depreciation	
At 1 January 2014	3,997
Charge for the year	2,982
At 31 December 2014	6,979
Net book value	
At 31 December 2014	4,099
At 31 December 2013	7,081

8. Debtors

	2014 £	2013 £
Amounts owed by group undertakings	277,345	239,491
Other debtors	30,353	111,035
	<u>307,698</u>	<u>350,526</u>

**9. Creditors:
Amounts falling due within one year**

	2014 £	2013 £
Trade creditors	26,337	31,270
Corporation tax	24,300	27,200
Other taxation and social security	19,005	23,995
Other creditors	91,623	125,333
	<u>161,265</u>	<u>207,798</u>

10. Share capital

	2014 £	2013 £
Allotted, called up and fully paid		
1 Ordinary share of £1	<u>1</u>	<u>1</u>

Cavium Networks UK Limited

Notes to the financial statements for the year ended 31 December 2014

11. Reconciliation of movement in shareholders' funds

	2014 £	2013 £
Opening shareholders' funds	508,593	409,759
Profit for the financial year	77,090	98,834
Closing shareholders' funds	<u>585,683</u>	<u>508,593</u>

12. 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 £58,661 (2013 - £78,279). Contributions totalling £6,133 (2013 - £7,953) were payable to the fund at the balance sheet date and are included in creditors.

13. Operating lease commitments

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as follows:

	2014 £	2013 £
Expiry date:		
Within 1 year	<u>33,073</u>	<u>35,455</u>

14. 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:
£277,345 (2013 - £239,491) due from Cavium, Inc.

15. 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.