

REGISTERED NUMBER. 06133617 (England and Wales)

**REPORT OF THE DIRECTORS AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2011
FOR
BIVIO NETWORKS EUROPE(UK) LIMITED**



**Hayvenhursts Limited
Chartered Accountants & Registered Auditor
Fairway House
Links Business Park
St Mellons
Cardiff
CF3 0LT**

BIVIO NETWORKS EUROPE(UK) LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2011**

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BIVIO NETWORKS EUROPE(UK) LIMITED
COMPANY INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2011

DIRECTORS:	Bivio Networks, Inc Keith Emerson Glover
SECRETARY	Nair Commercial Services Limited
REGISTERED OFFICE:	11th floor Whitefriars Lewins Mead Bristol BS1 2NT
REGISTERED NUMBER	06133617 (England and Wales)
AUDITORS	Hayvenhursts Limited Chartered Accountants & Registered Auditor Fairway House Links Business Park St Mellons Cardiff CF3 0LT
BANKERS:	Lloyds TSB Bank Plc 55 Corn Street Bristol BS1 1NT

BIVIO NETWORKS EUROPE(UK) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011

The directors present their report with the financial statements of the company for the year ended 31 December 2011

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of marketing services to its parent company Bivio Networks, Inc

REVIEW OF BUSINESS

The directors consider the results for the year to be satisfactory and anticipate similar levels of activity during the year ending 31 December 2011

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2011

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2011 to the date of this report

Bivio Networks, Inc
Keith Emerson Glover

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Report of the Directors 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 judgements 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

BIVIO NETWORKS EUROPE(UK) LIMITED
REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2011

AUDITORS

The auditors, Hayvenhursts Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting

ON BEHALF OF THE BOARD:



Nair Commercial Services Limited - Secretary

Date 11 September 2012

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF BIVIO NETWORKS EUROPE(UK) LIMITED

We have audited the financial statements of Bivio Networks Europe(UK) Limited for the year ended 31 December 2011 on pages six to thirteen. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 a Report of the Auditors 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 set out on page two, 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 Report of the Directors 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, 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
BIVIO NETWORKS EUROPE(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

Gareth Richard Williams (Senior Statutory Auditor)
for and on behalf of Hayvenhursts Limited
Chartered Accountants & Registered Auditor
Fairway House
Links Business Park
St Mellons
Cardiff
CF3 OLT

Date 28-9-2012

BIVIO NETWORKS EUROPE(UK) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £	2010 £
TURNOVER		1,210,539	1,099,658
Administrative expenses		<u>1,152,252</u>	<u>1,043,367</u>
OPERATING PROFIT	3	58,287	56,291
Interest payable and similar charges	4	<u>642</u>	<u>3,927</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		57,645	52,364
Tax on profit on ordinary activities	5	<u>28,952</u>	<u>32,919</u>
PROFIT FOR THE FINANCIAL YEAR		<u>28,693</u>	<u>19,445</u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND LOSSES

The company has no recognised gains or losses other than the profits for the current year or previous year

The notes form part of these financial statements

BIVIO NETWORKS EUROPE(UK) LIMITED

**BALANCE SHEET
31 DECEMBER 2011**

	Notes	2011 £	£	2010 £	£
FIXED ASSETS					
Intangible assets	6		162,182		185,569
Tangible assets	7		<u>21,979</u>		<u>50,145</u>
			184,161		235,714
CURRENT ASSETS					
Debtors	8	472,388		222,151	
Cash at bank		<u>80,461</u>		<u>82,742</u>	
		552,849		304,893	
CREDITORS					
Amounts falling due within one year	9	<u>649,895</u>		<u>482,185</u>	
NET CURRENT LIABILITIES			<u>(97,046)</u>		<u>(177,292)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>87,115</u>		<u>58,422</u>
CAPITAL AND RESERVES					
Called up share capital	10		100		100
Profit and loss account	11		<u>87,015</u>		<u>58,322</u>
SHAREHOLDERS' FUNDS	15		<u>87,115</u>		<u>58,422</u>

The financial statements were approved by the Board of Directors on behalf by

11 September 2012 and were signed on its

Keith Emerson Glover

Keith Emerson Glover - Director

The notes form part of these financial statements

BIVIO NETWORKS EUROPE(UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES

Basis of preparing the financial statements

The directors have prepared the financial statements on a going concern basis, which assumes that the company will achieve sufficient financial resources, in order to meet its short and medium term liability requirements. The company relies on the support of its parent company, Bivio Networks, Inc who have confirmed that they will continue to provide this for the foreseeable future.

Accounting convention

The financial statements have been prepared under the historical cost convention.

Financial Reporting Standard Number 1

Bivio Networks Europe Limited is included in the consolidated financial statements of Bivio Networks, Inc. Consequently the company has also taken advantage of the exemption from preparing a cash flow statement under the terms of FRS1 (revised 1996).

Changes in accounting policies

In preparing the financial statements for the current year, the company has adopted FRS20 'share-based payment'. The adoption of FRS20 has resulted in a change of accounting policy for 'share-based payment transactions'. FRS20 requires the fair value of options and share awards which ultimately vest to be charged to the profit and loss account over the vesting or performance period. For equity-settled transactions the fair value is determined at the date of grant using an appropriate pricing method. If an award fails to vest as a result of certain types of performance condition not being satisfied, the charge to the profit and loss account will be adjusted to reflect this.

Turnover

Turnover represents net invoiced sales of services, excluding value added tax.

The company is contracted by its ultimate parent, Bivio Networks, Inc to provide marketing and sales services within specific contracted regions. The company is remunerated by its parent for these services.

The total turnover of the company for the year has been derived from its principal activity undertaken in the UK and Italy.

Intangible fixed assets

Goodwill is amortised over 10 years.

Registration Trademarks is being amortised over 3 years straight line.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Fixtures and fittings	- Straight line over 3 years
Computer equipment	- Straight line over 3 years

Deferred tax

Deferred taxation is provided in full on the timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet. All differences are taken to the Profit and Loss Account.

BIVIO NETWORKS EUROPE(UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2011

1 ACCOUNTING POLICIES - continued

Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis over the period of the lease

share based payments

The cost of equity settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised over the vesting period, which ends on the date on which the relevant employee becomes fully entitled to the award. Fair value is determined by the director using an appropriate pricing model. In valuing equity settled transactions, no account is taken of any vesting conditions, or other conditions linked to the price of the shares of Red Bend Limited (market conditions)

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market conditions are satisfied, providing that all other conditions are satisfied

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions and therefore the number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in equity

When the terms of equity settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, any expense is recognised over the remainder of the new vesting period for the incremental fair value of the modified award, both as measured on the date of modification. No reduction is recognised if this modification is negative

Where an equity settled award is cancelled it is treated as if it has vested on the date of cancellation, and any cost not yet recognised in the profit and loss account for the award is expensed immediately. Any compensation paid up to the fair value of the award at cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the profit and loss account

The company has taken advantage of the transitional provisions of FRS20 in respect of the equity settled awards so as to apply FRS20 only to equity settled awards granted after 7 November 2002 that had not vested at 1 January 2006

2 STAFF COSTS

	2011	2010
	£	£
Wages and salaries	512,798	491,952
Social security costs	<u>145,705</u>	<u>143,736</u>
	<u>658,503</u>	<u>635,688</u>

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

	2011	2010
Operations	<u>9</u>	<u>9</u>

BIVIO NETWORKS EUROPE(UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011**

3 OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2011	2010
	£	£
Other operating leases	30,855	38,048
Depreciation - owned assets	30,765	-
Goodwill amortisation	23,158	-
Patents and licences amortisation	229	-
Auditors' remuneration	3,650	3,800
Foreign exchange differences	<u>(132)</u>	<u>(21,341)</u>
 Directors' remuneration	 <u>-</u>	 <u>-</u>

4 INTEREST PAYABLE AND SIMILAR CHARGES

	2011	2010
	£	£
Bank interest	<u>642</u>	<u>3,927</u>

5 TAXATION

Analysis of the tax charge

The tax charge on the profit on ordinary activities for the year was as follows

	2011	2010
	£	£
Current tax		
UK corporation tax at 20 25% (2010 21%)	17,509	18,735
Adjustment in respect of prior periods	25	4,039
Double taxation relief	(8,845)	(11,556)
Foreign tax	<u>20,263</u>	<u>21,701</u>
 Tax on profit on ordinary activities	 <u>28,952</u>	 <u>32,919</u>

BIVIO NETWORKS EUROPE(UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011**

5 TAXATION - continued

Factors affecting the tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below

	2011 £	2010 £
Profit on ordinary activities before tax	<u>57,645</u>	<u>52,364</u>
Tax on Profit on ordinary activities At the standard rate of corporation tax in the UK of 20.25% (2010 - 21%)	11,668	10,996
Effects of		
Expenses not deductible for tax purposes	4,290	2,137
Depreciation in excess of capital allowances	4,774	4,094
Adjustments to tax charge in respect of previous periods	25	4,039
Foreign tax credits	11,713	10,145
Other unexplained difference	(1,429)	45
Other short term timing differences	<u>(2,089)</u>	<u>1,463</u>
Current tax charge	<u>28,952</u>	<u>32,919</u>

6 INTANGIBLE FIXED ASSETS

	Goodwill £	Patents and licences £	Totals £
COST			
At 1 January 2011 and 31 December 2011	<u>231,580</u>	<u>686</u>	<u>232,266</u>
AMORTISATION			
At 1 January 2011	46,316	381	46,697
Amortisation for year	<u>23,158</u>	<u>229</u>	<u>23,387</u>
At 31 December 2011	<u>69,474</u>	<u>610</u>	<u>70,084</u>
NET BOOK VALUE			
At 31 December 2011	<u>162,106</u>	<u>76</u>	<u>162,182</u>
At 31 December 2010	<u>185,264</u>	<u>305</u>	<u>185,569</u>

BIVIO NETWORKS EUROPE(UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31 DECEMBER 2011**

7 TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Computer equipment £	Totals £
COST			
At 1 January 2011	30,708	60,389	91,097
Additions	-	2,599	2,599
At 31 December 2011	<u>30,708</u>	<u>62,988</u>	<u>93,696</u>
DEPRECIATION			
At 1 January 2011	7,753	33,199	40,952
Charge for year	<u>10,236</u>	<u>20,529</u>	<u>30,765</u>
At 31 December 2011	<u>17,989</u>	<u>53,728</u>	<u>71,717</u>
NET BOOK VALUE			
At 31 December 2011	<u>12,719</u>	<u>9,260</u>	<u>21,979</u>
At 31 December 2010	<u>22,955</u>	<u>27,190</u>	<u>50,145</u>

8 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Amounts owed by group undertakings	410,694	164,861
Other debtors	30,656	30,790
VAT	21,312	20,084
Prepayments	<u>9,726</u>	<u>6,416</u>
	<u>472,388</u>	<u>222,151</u>

9 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 £	2010 £
Trade creditors	27,032	33,213
Amounts owed to group undertakings	519,408	343,627
Tax	8,798	17,990
Accrued expenses	<u>94,657</u>	<u>87,355</u>
	<u>649,895</u>	<u>482,185</u>

10 CALLED UP SHARE CAPITAL

Number	Class	Nominal value £1	2011 £	2010 £
100	Ordinary		<u>100</u>	<u>100</u>

BIVIO NETWORKS EUROPE(UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS - continued FOR THE YEAR ENDED 31 DECEMBER 2011

11 RESERVES

	Profit and loss account £
At 1 January 2011	58,322
Profit for the year	<u>28,693</u>
At 31 December 2011	<u>87,015</u>

12 CONTINGENT LIABILITIES

In the opinion of the directors, there were no contingent liabilities as at 31 December 2011

13 RELATED PARTY DISCLOSURES

Bivio Networks Europe Limited, a wholly owned subsidiary of Bivio Networks, Inc has taken advantage of the exemption available under Financial Reporting Standard No 8 not to disclose related party transactions with entities that are part of the group, as 90% of its voting rights are controlled within the group

14 ULTIMATE CONTROLLING PARTY

The company is a subsidiary undertaking of Bivio Networks, Inc incorporated in the United States of America

The largest and smallest group in which the results of the company are consolidated is that headed by Bivio Networks, Inc, incorporated in the United States of America The consolidated financial statements of this company may be obtained from Bivio Networks, Inc, Willow Road, Suite 200, Pleasanton, California, USA 94588 No other group accounts include the results of the company

15 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2011 £	2010 £
Profit for the financial year	<u>28,693</u>	<u>19,445</u>
Net addition to shareholders' funds	28,693	19,445
Opening shareholders' funds	<u>58,422</u>	<u>38,977</u>
Closing shareholders' funds	<u>87,115</u>	<u>58,422</u>

16 SHARE-BASED PAYMENT TRANSACTIONS

All employees are entitled to a grant of Bivio Networks, Inc stock options Each grant is at the discretion of the board of Directors of the parent company, Bivio Networks, Inc

The contractual life of the options is 10 years and options vest over a 4 year for each employee

At the beginning of the year, during the year and as such at the 31 December 2011 there were no stock options outstanding to exercise