Registered Number: 713086

STMicroelectronics Limited

Annual report

for the year ended 31 December 2004





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STMicroelectronics Limited

Annual report
for the year ended 31 December 2004

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STMicroelectronics Limited

Directors and advisers for the year ended 31 December 2004

Directors
R Krysiak
P Morris
G Althorpe
P Mosconi
J M Frot

Secretary
A Smith

Registered Office
Planar House
Parkway
Globe Park
Marlow
Buckinghamshire
SL7 1YL

Independent auditors
PricewaterhouseCoopers LLP
Chartered accountants and registered auditors
The Atrium
1 Harefield Road
Uxbridge
Middlesex
UB8 1EX

STMicroelectronics Limited

Directors' report for the year ended 31 December 2004

The directors present their report and the audited financial statements of the company for the year ended 31 December 2004.

Principal activities, review of the business and future developments
The principal activities of the company are the marketing and selling of semiconductor components and microsystems, and the design and sale of a range of high performance large scale integrated semiconductor devices, using advanced process technology.

The company acts as a sales agent of the Swiss branch of STMicroelectronics NV, the immediate parent undertaking, a company incorporated in the Netherlands. The Company's income consists of commission, received from the Swiss branch of STMicroelectronics NV, and recharging of research and development expenses to the parent company. The commission income is based upon the annual turnover invoiced by STMicroelectronics NV to UK and Eire customers.

Both the level of business and the year-end financial position were satisfactory given the company's current level of operations, and the directors expect the present level of activity to continue in the future.

Results and dividends
The company's profit for the financial year is £5,805,000 (2003: £3,933,000) which will be transferred to reserves. The directors recommend a dividend of £5 per £1 ordinary share amounting to £5,000,000 (2003: £3.50 per £1 ordinary share amounting to £3,500,000) in respect of the financial year.

Charitable donations
An amount of £575 (2003: £365) was paid to charitable institutions during the year. The charities were as follows: Gt.Ormand St £250, Rotary Club £250, Thames Valley Hospice £75. There were no donations to political parties (2003: £nil).

Directors and their interests
The directors who held office during the year and up to the date of signing these accounts are given below:

R Krysiak
P Morris
G Althorpe
J Hyman (resigned 30 September 2004)
P Mosconi
J M Frot (appointed 17 March 2005)

The directors had no interest in the shares of the company or any other body corporate in the group that are required to be disclosed under Schedule 7 to the Companies Act 1985.

Directors' report for the year ended 31 December 2004 (continued)

Research and development
The company is currently undertaking research and development into the design of a range of high performance very large scale integrated semiconductors, components and microsystems.

Employees
The company places value on the involvement of its employees and has continued its previous practice of keeping them informed through regular consultation, both on matters affecting them as employees and on the various factors affecting the performance of the company.

Statement of directors' responsibilities
Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 December 2004 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that 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 1985. 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.

Auditors
A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

By order of the Board

G Althorpe
Director
21/11/2005

Independent auditors' report to the members of STMicroelectronics Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors
The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

Basis of audit opinion
We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
West London
21 NOV 2005

STMicroelectronics Limited

Profit and loss account for the year ended 31 December 2004

	Note	2004 £'000	2003 £'000
Turnover		**15,234**	12,855
Cost of sales		**(4,680)**	(4,824)
Gross profit		**10,554**	8,031
Administrative costs		**(3,031)**	(2,953)
Operating profit	3	**7,523**	5,078
Interest receivable and similar income	6	**52**	21
Interest payable and similar charges	6	**(4)**	(8)
Profit on ordinary activities before taxation		**7,571**	5,091
Tax charge on profit on ordinary activities	7	**(1,766)**	(1,158)
Profit for the financial year		**5,805**	3,933
Dividend	8	**(5,000)**	(3,500)
Retained profit for the financial year	15	**805**	433

All items dealt with in arriving at the profit on ordinary activities before and after taxation relate to continuing operations.

The company has no recognised gains and losses other than those shown in the profit and loss account above and therefore no separate statement of total recognized gains and losses has been prepared.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

STMicroelectronics Limited

Balance sheet as at 31 December 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	9	**506**	531
Investments	10	**-**	-
		506	531
Current assets			
Debtors	11	**21,900**	18,656
Cash at bank and in hand		**383**	230
		22,283	18,886
Creditors - amounts falling due within one year	12	**(9,233)**	(6,666)
Net current assets		**13,050**	12,220
Total assets less current liabilities		**13,556**	12,751
Net assets		**13,556**	12,751
Capital and reserves			
Called up share capital	14	**1,000**	1,000
Capital redemption reserve	15	**8,900**	8,900
Profit and loss account	15	**3,656**	2,851
Total equity shareholders' funds	16	**13,556**	12,751

The financial statements on pages 5 to 17 were approved by the board of directors on 21/11/05 and were signed on its behalf by:

G Althorpe
Director

Notes to the financial statements for the year ended 31 December 2004

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Turnover

Turnover is stated net of value added tax and represents commission received by the company in respect of amounts invoiced as a sales agent for group companies and the amount billed to other group undertakings for research and development and other services. The geographical destination of all turnover is within Europe

Tangible Fixed Assets

Fixed assets are included at historic cost and are depreciated so as to write each asset down to its net realisable value in equal instalments over expected useful lives as follows:

Plant and machinery	3 to 10 years
Leasehold improvements	3 to 25 years
Furniture & Fittings	3 to 10 years
Computer equipment	3 to 10 years

Operating Leases

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

Research and Development

Research and development costs are written off to the profit and loss account in the period in which they occur.

Notes to the financial statements for the year ended 31 December 2004 (continued)

1 Accounting policies (continued)

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Pensions

The company operates a defined contribution scheme. The assets of the schemes are held separately from the Company in trustee-administered funds.

Contributions to the defined contribution scheme are recognised in the period to which they relate.

Investments

Investments in subsidiary undertakings are accounted for at historic purchase cost less any impairment in value.

Foreign exchange translation

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. Foreign currency balances at the year end are translated at the rates of exchange ruling at the balance sheet date and any exchange differences are taken to the profit and loss account.

Group accounts

The company has not prepared group accounts as it is a wholly owned subsidiary undertaking of a parent undertaking established under the law of a member state of the European Community, as permitted by Section 228 of the Companies Act 1985.

Notes to the financial statements for the year ended 31 December 2004 (continued)

2 Cash flow statement and related party disclosures

The company is a wholly-owned subsidiary of STMicroelectronics NV and is included in the consolidated financial statements of STMicroelectronics NV, which are publicly available. Consequently, the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 (revised 1996). The company is also exempt under the terms of FRS 8 from disclosing related party transactions with entities that are part of the STMicroelectronics NV group or investees of the STMicroelectronics NV group.

3 Operating profit

	2004 £'000	2003 £'000
Operating profit is stated after charging		
Research and development cost	**1,614**	1,545
Depreciation of owned, tangible fixed assets	**170**	181
Operating lease rentals		
- hire of plant and machinery	**237**	270
- other	**504**	500
Auditors' remuneration		
- audit fees	**18**	18
- accounting consultancy fees	**-**	-

4 Directors' emoluments

	2004 £'000	2003 £'000
Aggregate emoluments	**148**	145
Company pension contributions to defined contribution scheme	**51**	46

Retirement benefits are accruing to 2 directors (2003: 2) under a defined contribution scheme. No directors exercised share options during 2004 (2003: nil).

Notes to the financial statements for the year ended 31 December 2004 (continued)

5 Employee information

	2004	2003
	£'000	£'000
Wages and salaries	**3,734**	3,653
Social security costs	**469**	512
Other pension costs (note 18)	**526**	516
Staff costs	**4,729**	4,681

The average monthly number of persons (including executive directors) employed by the company during the year was:

By activity	**2004**	2003
Research and development	**21**	21
Selling and distribution	**63**	66
Administration	**8**	10
	92	97

6 Interest receivable and payable

	2004	2003
	£'000	£'000
Interest receivable on bank deposits	**52**	21
Interest payable on overdrafts and bank loans	**4**	8

Notes to the financial statements for the year ended 31 December 2004 (continued)

7 Taxation on the profit/(loss)note for the year

Analysis of charge in period

	2004	2003
	£'000	£'000
Current tax:		
UK corporation tax on profits of the period	1,889	1,044
Adjustments in respect of previous periods	(202)	-
Total current tax	**1,687**	**1,044**
Deferred tax note 13	79	114
Tax on profit on ordinary activities	**1,766**	**1,158**

Factors affecting tax charge for period

The tax assessed for the period is lower than the standard rate of corporation tax of 30% in the UK (2003: 30 per cent). The differences are explained below:

	2004	2003
	£'000	£'000
Profit on ordinary activities before tax	**7,571**	5,091
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003: 30%)	2,271	1,527
Effects of:		
Expenses not deductible for tax purposes	34	1
Research & Development relief	(34)	-
Capital allowances less than depreciation	(82)	(114)
Group Relief claimed in the period	(300)	(370)
Adjustments to tax charge in respect of previous periods	(202)	-
Current tax charge for period	**1,687**	1,044

Notes to the financial statements for the year ended 31 December 2004 (continued)

8 Dividends

	2004	2003
	£'000	£'000
Final proposed: £5.00 (2003: £3.50) per share	5,000	3,500
	5,000	3,500

9 Tangible assets

	Leasehold Improvements	Furniture and Fittings	Computer Equipment	Plant and machinery	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2004	210	415	1,172	875	2,672
Additions	27	-	87	31	145
At 31 December 2004	**237**	**415**	**1,259**	**906**	**2,817**
Accumulated depreciation					
At 1 January 2004	124	399	1,152	466	2,141
Charge for the year	9	12	18	131	170
At 31 December 2004	**133**	**411**	**1,170**	**597**	**2,311**
Net book amount					
At 31 December 2004	**104**	**4**	**89**	**309**	**506**
At 31 December 2003	86	16	20	409	531

Notes to the financial statements for the year ended 31 December 2004 (continued)

10 Fixed asset investments

	£
At 1 January 2004 and at 31 December 2004	**1**

	Country of incorporation	**Principal activity**	**Description and proportion of shares held**
Inmos Limited	United Kingdom	Dormant	100% ordinary shares

11 Debtors

Amounts falling due within one year:

	2004	2003
	£'000	£'000
Amounts owed by group undertakings	**20,855**	17,915
Other debtors	**2**	2
Deferred tax asset (see note 13)	**269**	348
Prepayments and accrued income	**774**	391
	21,900	18,656

Notes to the financial statements for the year ended 31 December 2004 (continued)

12 Creditors – Amounts falling due within one year

	2004	2003
	£'000	£'000
Trade creditors	**58**	114
Amounts owed to subsidiary undertakings	**2,338**	2,338
Amounts owed to group undertakings	**1**	27
UK corporation tax payable	**1,422**	193
Other taxes and social security	**166**	230
Other creditors	**1**	-
Accruals	**247**	264
Dividend proposed	**5,000**	3,500
	9,233	6,666

13 Deferred taxation

Deferred tax assets have been recognised in full and comprise unclaimed capital allowances amounting to £269,000 (2003: £348,000).

Notes to the financial statements for the year ended 31 December 2004 (continued)

14 Called up share capital

	2004	2003
	£'000	£'000
Authorised		
1,000,000 ordinary shares of £1 each	**1,000**	1,000
Allotted and fully paid		
1,000,000 (2003: 1,000,000) ordinary shares of £1 each	**1,000**	1,000

15 Reserves

	Profit and loss account	Capital reserve	Total 2004
	£'000	£'000	£'000
1 January 2004	2,851	8,900	11,751
Retained profit for the financial year	805	-	805
31 December 2004	**3,656**	**8,900**	**12,556**

Notes to the financial statements for the year ended 31 December 2004 (continued)

16 Reconciliation of movements in shareholders' funds

	2004 £'000	2003 £'000
Profit for the financial year	**5,805**	3,933
Dividend	**(5,000)**	(3,500)
Net addition to shareholders' funds	**805**	433
Opening equity shareholders' funds	**12,751**	12,318
Closing equity shareholders' funds	**13,556**	12,751

17 Contingent liabilities

The companys' bankers have agreed to continue an indemnity to H.M.Customs & Excise, which amounted to £400,000 at 31 December 2004 (2003: £400,000).

18 Pension costs

The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held in separate trustee administered funds. The pension charge represents contributions payable by the company to the fund and amounted to £526,000 (2003: £516,021). At the year end there was no accrual (2003: nil) relating to unpaid contributions.

19 Financial commitments

At 31 December 2004 the company had annual commitments under non-cancellable operating leases expiring as follows:

	Land and building		Other		Total	
	2004	2003	**2004**	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Leases which expire						
- Within one year	**-**	-	**31**	81	**31**	81
- Between two – five years	**-**	-	**104**	113	**104**	113
- After five years	**504**	500	**11**	12	**515**	512
	504	500	**146**	206	**650**	706

Notes to the financial statements for the year ended 31 December 2004 (continued)

20 Ultimate parent undertaking

The company is wholly owned by STMicroelectronics Holding NV, the immediate and ultimate parent undertaking, which is incorporated in the Netherlands.

STMicroelectronics NV heads the smallest group in which the Company's accounts are consolidated. The largest is that headed by STMicroelectronics Holding NV, the ultimate parent undertaking, also incorporated in the Netherlands.

Accounts for both of these companies are available for inspection at the Chamber of Commerce in Amsterdam, whose address is Kamer van Koophandel, En Fabrieken Voor, Amsterdam, Ruyterkade 5, 1013 AA Amsterdam, the Netherlands.