

Registered Number: 00713086

STMicroelectronics Limited
Annual report
for the year ended 31 December 2011

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STMicroelectronics Limited

Annual report for the year ended 31 December 2011

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STMicroelectronics Limited

Directors and advisers for the year ended 31 December 2011

Directors

P Morris
G Althorpe
G Notarnicola

Company Secretary

A Smith

Registered Office

Planar House
Parkway
Globe Park
Marlow
Buckinghamshire
SL7 1YL

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
The Atrium
1 Harefield Road
Uxbridge
Middlesex
UB8 1EX

STMicroelectronics Limited

Directors' report for the year ended 31 December 2011

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

Business review and principal activities

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, at a rate of 6%, received from the Swiss branch of STMicroelectronics NV, and recharging all research and development expenses, using a 7% uplift to the parent company. The commission income is based upon the annual turnover invoiced by STMicroelectronics NV to UK and Eire customers. The level of commission billing during 2011 declined due to a decrease in STMicroelectronics NV sales of over 6% compared to 2010

Results and Dividends

The company's profit for the financial year is £564,000 (2010 £612,000), which will be transferred to reserves. The directors propose to recommend the payment of a dividend of £300,000 for the year (2010 £1,000,000)

Strategy and future outlook

The parent company recently announced a reorganisation of the company to increase its marketing strategy on a global basis

We expect to maintain our current level of performance in the future.

Principal risks and uncertainties

The key business risks affecting the company are those that are faced by the parent company and are as follows

Competition

The semiconductor industry is intensely competitive and the group headed by STMicroelectronics Holding NV faces significant competition in each of their product lines

STMicroelectronics NV has historically competed successfully and grown market share by developing close partnerships with its 50 largest clients

Key performance indicators

Key performance indicators reviewed by STMicroelectronics NV are

Gross margins

STMicroelectronics NV is looking to improve gross margins on a quarterly basis. This does not impact directly on STMicroelectronics Limited as it is a commission based entity. However, costs are incurred locally and STMicroelectronics Limited tries to improve gross margins locally through its control of costs

Growth in Sales

Commission sales growth of STMicroelectronics Limited was not achieved during 2011 as UK sales declined by 6% since 2010

Employee Retention

There has been a small amount of employee turnover during the year. 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. Average employee headcount in the year to 31 December 2011 was 48 (2010 51)

STMicroelectronics Limited

Directors' report for the year ended 31 December 2011 (continued)

Financial risk management

As the company operates as a sales agent of STMicroelectronics NV, its own operations are not exposed to credit risks, changes in market prices, liquidity risks, and interest rate risks, as these are borne by the parent company

Directors

The directors who held office during the year and up to the date of signing these financial statements are given below.

P Morris
G Althorpe
G Notarnicola

Research and development

Research and development is no longer undertaken by STMicroelectronics Limited and expenditure in the year therefore was £nil (2010 £306,000)

Third party indemnities

The company has an indemnity in place for the directors through a third party insurance policy

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 prepared 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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.

STMicroelectronics Limited

Directors' report for the year ended 31 December 2011 (continued)

Disclosure of information to auditors

In accordance with section 418 of the Companies Act 2006, each director confirms that at the date the directors' report was approved, that

- (a) so far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and
- (b) each director has taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant information and to establish that the company's auditors are aware of that information

On behalf of the Board



G Althorpe
Director

25/7/ 2012

STMicroelectronics Limited

Independent auditors' report to the members of STMicroelectronics Limited

We have audited the financial statements of STMicroelectronics Limited for the period ended 31 December 2011 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. 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).

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 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.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

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, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters 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.

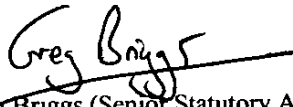
STMicroelectronics Limited

Independent auditors' report to the members of STMicroelectronics Limited (continued)

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 or 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



Gregory Briggs (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge

25th July 2012

STMicroelectronics Limited

Profit and loss account for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Turnover	2	5,459	6,145
Cost of sales		(3,418)	(3,769)
Gross profit		2,041	2,376
Administrative expenses		(1,427)	(1,794)
Operating profit		614	582
Interest receivable and similar income	6	12	2
Interest payable and similar charges	6	-	(18)
Profit on ordinary activities before tax	3	626	566
Tax (charge)/credit on profit on ordinary activities	7	(62)	46
Profit for the financial year	15	564	612

All items dealt with in arriving at the profit for the financial year relate to continuing operations

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

STMicroelectronics Limited

Statement of total recognised gains and losses for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
Profit for the financial year		564	612
Actuarial loss related to pension scheme	19	(396)	(78)
Movement on deferred tax relating to pension liability	15	39	(15)
Total recognised gains relating to the year		207	519

STMicroelectronics Limited

Balance sheet as at 31 December 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Tangible assets	9	74	59
Investments	10	-	-
		74	59
Current assets			
Debtors	11	13,660	13,926
Cash at bank and in hand		800	352
		14,460	14,278
Creditors - amounts falling due within one year	12	(2,730)	(2,875)
Net current assets		11,730	11,403
Provisions for liabilities and charges	18	(300)	(300)
Net assets excluding pension deficit		11,504	11,162
Pension deficit	19	(754)	(549)
Net assets including pension deficit		10,750	10,613
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	850	713
Total shareholders' funds	16	10,750	10,613

Registered number: 00713086

The financial statements on pages 7 to 28 were approved by the board of directors on 25/7/12 and were signed on its behalf by



G Althorpe
Director

STMicroelectronics Limited

Notes to the financial statements for the year ended 31 December 2011

1 Accounting policies

These financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies have been applied consistently throughout the year and are set out below.

Share based payments

The parent company operates equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account. The credit entry is recognised within reserves.

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 STMicroelectronics NV and amounts recharged to the parent company for services provided by STMicroelectronics Limited. Turnover is recognised at the point that the services are provided. The geographical destination of all turnover is within UK and Ireland.

Tangible fixed assets and depreciation

Fixed assets are included at historic purchase cost less accumulated depreciation so as to write each asset down to its estimated net realisable value in equal instalments over their expected useful economic 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

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

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.

Current taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

STMicroelectronics Limited

Notes to the financial statements for the year ended 31 December 2011 (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 both defined benefit and defined contribution plans. A defined benefit plan generally provides pensions based on the employee's length of service and their final pensionable salary. A defined contribution plan offers employees individual funds which are converted into pension benefits on retirement. The assets of all schemes are held independently of the company's finances.

For the defined benefit plan, the liability recognised in the balance sheet is the present value of the scheme's liabilities at the balance sheet date less the fair value of plan assets. Movements in the scheme surplus/deficit are split between operating charges, finance items and in the statement of total recognised gains and losses. The increase in the present value of the liabilities of the Group's defined benefit pension schemes expected to arise from employee service in the period is charged to operating profit. The expected return on the schemes' assets and the increase during the year in the present value of the schemes' liabilities arising from the passage of time are included in other finance income. Actuarial gains and losses are recognised in the statement of total recognised gains and losses. Pension schemes' surpluses, to the extent that they are considered recoverable, or deficits are recognised in full and presented on the face of the balance sheet net of the related deferred tax.

For defined contribution plans, the company pays contributions to privately administered pension insurance plans on a contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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. Monetary assets and liabilities expressed in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the balance sheet or at the date of transaction. All differences on exchange are taken to the profit and loss account.

Provisions

Provisions are recognised when the company has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

STMicroelectronics Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

1 Accounting policies (continued)

Consolidated financial statements

The company is a wholly-owned subsidiary of STMicroelectronics Holding NV and is included in the consolidated financial statements of STMicroelectronics Holding NV which are publicly available. Consequently, the company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 400 of the Companies Act 2006

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 Financial Reporting Standard 1 (revised 1996) Cash Flow Statements ("FRS 1"). The company is also exempt under the terms of Financial Reporting Standard 8 Related Party Disclosures ("FRS 8") from disclosing related party transactions with entities that are part of the STMicroelectronics NV group or investees of the STMicroelectronics NV group

2 Turnover

	2011	2010
	£'000	£'000
Commission sales	5,459	5,790
Research and development recharge	-	355
Total turnover	5,459	6,145

The turnover recognised above is derived from the company activity in the UK and Ireland

3 Profit on ordinary activities before taxation

	2011	2010
	£'000	£'000
Profit on ordinary activities before taxation is stated after charging		
Research and development costs	-	306
Depreciation of owned, tangible fixed assets (note 9)	20	17
Operating lease rentals		
- plant and machinery	114	106
- other	570	570
Services provided by the company's auditor		
- Fees payable for the audit services	25	20

STMicroelectronics Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

4 Directors' emoluments

	2011 £'000	2010 £'000
Aggregate emoluments	107	127
Company pension contributions to defined contribution scheme	24	23

Retirement benefits are accruing to 1 director (2010: 1) under a defined contribution scheme. No directors exercised share options during 2011 (2010: nil). Only one director is paid directly by STMicroelectronics Limited. The emoluments of the other directors are borne by the parent company, STMicroelectronics NV and by a fellow subsidiary company, STMicroelectronics (Research and Development) Limited. Due to the number of directorships held it is not possible to apportion their services as director relating to this entity.

5 Employee information

	2011 £'000	2010 £'000
Wages and salaries	2,457	2,579
Social security costs	286	265
Other pension costs (note 19)	568	632
Share based payment credit (note 21)	(25)	(39)
Staff costs	3,286	3,437

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

By activity	2011	2010
Application and development	7	9
Selling and distribution	33	34
Administration	8	8
	48	51

STMicroelectronics Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

6 Interest receivable and similar income and Interest payable and similar charges

	2011 £'000	2010 £'000
Bank interest receivable	2	2
Other finance income (note 19)	10	-
Interest receivable and similar income	12	2
Bank interest payable	-	(8)
Other finance charges (note 19)	-	(10)
Interest payable and similar charges	-	(18)

7 Tax charge / (credit) on profit on ordinary activities

Analysis of charge for the year:

	2011 £'000	2010 £'000
Current tax		
UK Corporation tax charge on profits for the year	-	-
Adjustment in respect of previous periods	-	(39)
Total current tax	-	(39)
Deferred tax charge/(credit) (Note 13)	62	(7)
Tax charge/(credit) on profit on ordinary activities	62	(46)

STMicroelectronics Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

7 Taxation on the profit on ordinary activities (continued)

Factors affecting tax charge for the year:

The tax assessed for the year is lower (2010 lower) than the standard effective rate of corporation tax in the UK for the year ended 31 December 2011 of 26.50% (2010 28%). The differences are explained below

	2011 £'000	2010 £'000
Profit on ordinary activities before tax	626	566
Profit on ordinary activities multiplied by corporation tax rate in the UK of 26.5% (2010 28%)	166	158
Effects of		
Expenses not deductible for tax purposes	(5)	4
Research & development relief	(18)	(20)
Capital allowances in excess of depreciation	(27)	(27)
Group relief claimed in the year for nil consideration	(324)	(371)
Inter-company debtor imputed interest for period	211	226
Other timing differences	(3)	30
Adjustments to tax charge in respect of previous periods	-	(39)
Current tax charge/ (credit) for year	-	(39)

Factors affecting current and future tax charges:

The standard rate of corporation tax in the UK will change from 26% to 24% with effect from 1 April 2012. In addition to the change in rates of corporation tax mentioned above, further reductions to the main rate are proposed to reduce the rate by 1% per annum to 22% by 1 April 2014. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The future effective tax rate is expected to be reduced by the availability of UK group tax losses resulting from the expected availability of Research and Development tax credits in the UK group.

STMicroelectronics Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

8 Dividends

It is proposed to pay a dividend in 2012 in respect of year ending 31 December 2011 of £300,000 (2010 £1,000,000)

9 Tangible assets

	Leasehold Improvements	Furniture and Fittings	Computer Equipment	Plant and Machinery	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 January 2011	268	322	277	122	989
Additions	14	21	-	-	35
Disposals	-	-	(32)	-	(32)
At 31 December 2011	282	343	245	122	992
Accumulated depreciation					
At 1 January 2011	210	322	277	121	930
Charge for the year	15	4	-	1	20
Disposals	-	-	(32)	-	(32)
At 31 December 2010	225	326	245	122	918
Net book amount					
At 31 December 2011	57	17	-	-	74
At 31 December 2010	58	-	-	1	59

STMicroelectronics Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

10 Investments

Cost and Net Book Value £'000

At 1 January 2011 and 31 December 2011 -

The company's investments at the balance sheet date in the share capital of companies include the following

	Country of incorporation	Principal activity	Description and proportion of shares held	
Inmos Limited	United Kingdom	Dormant	100% ordinary shares	
			2011	2010
			£'000	£'000
Aggregate capital and reserves			2,338	2,338

The directors consider the value of the investments to be supported by their underlying assets

11 Debtors

Amounts falling due within one year

	2011	2010
	£'000	£'000
Amounts owed by group undertakings	13,202	13,449
Prepayments	262	215
VAT recoverable	26	30
Deferred tax asset (Note 13)	170	232
	13,660	13,926

Amounts owed by group undertakings are unsecured, interest free, and repayable on demand

STMicroelectronics Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

12 Creditors – Amounts falling due within one year

	2011	2010
	£'000	£'000
Trade creditors	22	17
Amounts owed to subsidiary undertakings	2,338	2,338
Other taxes and social security	72	70
Accruals	298	450
	2,730	2,875

Amounts owed to group undertakings and amounts owed to subsidiary undertakings are unsecured, interest free, and repayable on demand

13 Deferred taxation

Deferred taxation assets recognised in the financial statements are set out below

	Amount recognised		Amount not recognised	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Unclaimed capital allowances	68	113	-	-
Other timing differences	77	89	-	-
Deferred tax asset on share based payments	25	30	179	304
	170	232	179	304

Deferred tax has been recognised on the basis that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted. Deferred tax has not been recognised on share based payments for which the current exercise price exceeds the market value of the shares at the balance sheet date. The deferred tax asset of £252,000 (2010: £213,000) on the pension liability has been deducted in arriving at the net pension deficit shown on the balance sheet.

STMicroelectronics Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

13 Deferred taxation (continued)

	2011 £'000	2010 £'000
Deferred tax asset		
At 1 January	232	225
Deferred tax charge/ (credit) in profit and loss account	(62)	7
At 31 December	170	232

14 Called up share capital

	2011 £'000	2010 £'000
Authorised		
1,000,000 ordinary shares of £1 each	1,000	1,000
Allotted and fully paid		
1,000,000 ordinary shares of £1 each	1,000	1,000

15 Reserves

	Capital redemption reserve £'000	Profit and loss account £'000	Total £'000
At 1 January 2011	8,900	713	9,613
Profit for the financial year	-	564	564
Adjustment in respect of employee share option schemes under FRS20 (Note 21)	-	(70)	(70)
Actuarial loss (note 19)	-	(396)	(396)
Deferred tax relating to pension liability (note 19)	-	39	39
At 31 December 2011	8,900	850	9,750

STMicroelectronics Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

16 Reconciliation of movements in shareholders' funds

	2011 £'000	2010 £'000
Profit for the financial year	564	612
Adjustment in respect of employee share option scheme under FRS20 (note 21)	(70)	(81)
Dividends (note 8)	-	(1,000)
Actuarial loss on pension scheme (note 19)	(396)	(78)
Movement on deferred tax relating to pension scheme (note 19)	39	(15)
Net addition/(reduction) to shareholders' funds	137	(562)
Opening equity shareholders' funds	10,613	11,175
Closing equity shareholders' funds	10,750	10,613

17 Contingent liabilities

The company's bankers have agreed to continue an indemnity to H M. Customs & Excise, which amounted to £20,000 at 31 December 2011 (2010 £20,000)

18 Provisions for liabilities and charges

	Dilapidations £'000	Total £'000
At 1 January 2011	300	300
Charged to profit & loss account	-	-
At 31 December 2011	300	300

A dilapidations provision of £300,000 (2010 £300,000) was recognised at year end for the future payments of dilapidation costs on the leasehold property. During 2010 it was assessed that a provision be recognised based on the present obligation per the terms of the lease to return the property to its condition at lease inception. This decision was maintained during 2011. The lease on the property expires 24th December 2012.

STMicroelectronics Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

19 Pension costs

a) Defined Contribution Schemes

The company operates a defined contribution pension scheme for some of its employees. The assets of the scheme are held in separate trustee administered funds. The pension charge includes contributions payable by the company to the funds and amounted to £567,901 (2010: £632,000). At the year end there was no accrual (2010: nil) relating to unpaid contributions.

b) Defined Benefit Scheme

The company operates a funded defined benefit pension scheme for some of its employees. The assets of the scheme are held in a separate trustee administered fund. The following disclosures relate to the defined benefit section of the scheme alone. Contributions to this section of the scheme are assessed in accordance with the advice of a qualified actuary. The scheme is closed to new joiners and future accrual. The contributions to this scheme are determined by an independent qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was carried out at 1 June 2010 by Alexander Forbes, independent qualified actuaries. The most significant assumptions used in that valuation were a discount rate (pre retirement) of 5.5% per annum, a discount rate (post retirement) of 5.5% per annum, and a price inflation rate of 3.25% per annum. At the valuation date the scheme was 74% funded. The total pension contribution for the year was £142,000 (2010: £142,000). There is no prepaid or outstanding contribution at the balance sheet date.

The amounts recognised in the balance sheet are as follows:

	Defined benefit pension plans	
	2011 £'000	2010 £'000
Present value of scheme liabilities	(3,790)	(3,638)
Market value of plan assets	2,784	2,876
Deficit in scheme	(1,006)	(762)
Related deferred tax asset	252	213
Net pension deficit	(754)	(549)

STMicroelectronics Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

19 Pension costs (continued)

The amounts recognised in profit or loss account are as follows

	Defined benefit pension plans	
	2011	2010
	£'000	£'000
Interest on pension scheme liabilities	196	184
Expected return on plan assets	(206)	(174)
Total	(10)	10

Actuarial gains and losses:

The cumulative amount of actuarial losses recognised in the statement of recognised gains and losses is £396,000 (2010 £78,000)

Reconciliation of present value of scheme liabilities

Changes in the present value of the defined benefit obligation are as follows

	2011	2010
	£'000	£'000
At 1 January	(3,638)	(3,267)
Interest cost	(196)	(184)
Actuarial loss	(53)	(278)
Benefits paid	97	91
At 31 December	(3,790)	(3,638)

STMicroelectronics Limited

Notes to the financial statements for the year ended 31 December 2011 (continued)

19 Pension costs (continued)

Reconciliation of fair value of scheme assets

	2011 £'000	2010 £'000
At 1 January	2,876	2,451
Expected return on scheme assets	206	174
Actuarial gains/ (losses)	(343)	200
Contributions paid by employer	142	142
Benefits paid	(97)	(91)
At 31 December	2,784	2,876

Scheme assets do not include any of the company's own financial instruments, or any property occupied by the company. The expected return on scheme assets is determined by considering the expected returns on the assets underlying the current investment policy. Expected yields on fixed interest investments are based on gross redemption yields as at balance sheet date. Expected returns on equity investments reflect long term real rates of return experienced in the respective markets. The actual return on scheme assets in the year was a £137,000 loss (2010 £374,000 gain).

The company expects to contribute £142,000 to its defined benefit pension plans in 2012.

A breakdown of plan assets is as follows and the expected rates of return are

	Long term rate of return expected at 31.12.2011 %	2011 £'000	Long term rate of return expected at 31.12.2010 %	2010 £'000
UK equities	6.8	2,339	7.45	1,198
Global equities	-	-	7.45	1,247
UK bonds	4.8	445	5.45	378
Other	-	-	3.7	53
		2,784		2,876

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Notes to the financial statements for the year ended 31 December 2011 (continued)

19 Pension costs (continued)

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages).

	2011	2010
	%	%
Discount rate at 31 December	4.80	5.45
Expected return on plan assets at 31 December	6.50	7.10
Rate of increase in pension payments	0-3.10	0-3.85
Rate of inflation	3.10	3.70
Longevity at age 65 in years - male	22.0	21.0
- female	24.1	23.8

Amounts for the current and previous four periods are as follows

Defined benefit pension plans					
	2011	2010	2009	2008	2007
	£'000	£'000	£'000	£'000	£'000
Defined benefit obligation	(3,790)	(3,638)	(3,267)	(3,156)	(3,487)
Plan assets	2,784	2,876	2,451	1,933	2,014
Deficit	(1,006)	(762)	(816)	(1,223)	(1,473)
Experience adjustments on plan liabilities	128	-	-	295	-
Experience adjustments on plan assets	(343)	200	292	(238)	(81)
Total amount recognised in the statement of total recognised gains and losses	(396)	(78)	290	220	158

20 Financial commitments

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

	Land and buildings		Other		Total	
	2011	2010	2011	2010	2011	2010
	£'000	£'000	£'000	£'000	£'000	£'000
Leases which expire						
- Within one year	570	-	68	13	638	13
- Between two – five years	-	570	101	81	101	651
	570	570	169	94	739	664

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Notes to the financial statements for the year ended 31 December 2011 (continued)

21 Share based payments

1. Stock Option Plans:

The parent company operates equity-settled, share-based compensation plans.

Under the 1995 Employee Stock Option Plan, the options may be granted to purchase shares of common stock at a price not lower than the market price of the shares on the date of grant. Under the 1995 plan granted options vest 32% after two years, 32% after three years and 36% after four years following the date of the grant. The options expire ten years after the date of grant. During 2005, the vesting periods for all options under the plan were accelerated with no impact on the profit and loss account.

Under the 2001 Employee Stock Option Plan options for shares may be granted in instalments over a five- year period. The options granted to purchase shares of common stock at a price not lower than the market price of the shares on the date of grant. In connection with a revision of its equity-based compensation policy, the Company decided in 2005 to accelerate the vesting period of all outstanding unvested stock options. The options expire ten years after the date of grant.

Grant date	14/03/2003	26/04/2004
Share price at grant date	\$19.18	\$22.71
Exercise price	\$19.18	\$22.71
Number of employees	52	50
Shares under option	50,200	46,500
Vesting period (years)	4	4
Expected volatility	-	-
Option life (years)	10	10
Expected life (years)	5	5
Risk free rate	-	-
Expected dividends expressed as a dividend yield	-	-
Fair value per option	£12.58	£13.03

The options are classed as equity-settled and therefore the fair value of the options has been calculated at the grant date and will not be affected by any change in share price after that date. The expected volatility is based on historical volatility over the last three years. The risk free rate of return is the yield on zero-coupon US government bonds of a term consistent with the assumed option life.

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Notes to the financial statements for the year ended 31 December 2011 (continued)

21 Share Based Payments (continued)

A reconciliation of option movements over the year to 31 December 2011 is shown below

	2011		2010	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January	123,928	\$28.03	131,978	\$27.77
Forfeited	(9,350)	\$26.72	(8,050)	\$23.74
Expired	(26,200)	\$39.00	-	-
Outstanding and exercisable at 31 December	88,378	\$24.91	123,928	\$28.03

The range of exercise prices, the weighted average exercise price and the weighted average remaining contractual life of options exercisable as of 31 December 2011 were as follows

Range of exercise prices	Weighted average price	Number of shares	Weighted average remaining life	
			Expected	Contractual
\$19.18-\$24.88	\$20.86	53,400	0.87	1.73
\$25.90-\$29.70	-	-	-	-
\$31.09-\$44.00	\$31.11	34,978	0.20	0.27
\$50.69-\$62.01	-	-	-	-

The total profit and loss credit for the year relating to equity settled employee share-based payment plans was £25,000 (2010 £39,000), after deferred tax the total credit was £20,000 (2010 £31,000). Of the total credit of £25,000, £45,000 was re-charged from the parent company and the £70,000 was credited to reserves.

2. Nonvested share awards

In 2005, the Parent Company redefined its equity-based compensation strategy by no longer granting options but rather issuing nonvested shares.

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Notes to the financial statements for the year ended 31 December 2011 (continued)

21 Share Based Payments (continued)

2. Nonvested share awards (continued)

On July 22 2008, the parent company granted 11,850 nonvested shares to senior executives and selected employees to be issued upon vesting from treasury stock. The shares were granted free to employees and will vest upon completion of three internal performance conditions each weighting for one third of the total number of awards granted. The nonvested shares vest over the following requisite period: 32% on May 14 2009, 32% on May 14 2010, 36% on May 14 2011.

On July 28 2009, the parent company granted 10,111 nonvested shares to senior executives and selected employees to be issued upon vesting from treasury stock ("The 2009 Employees Plan"). The shares were granted for free to employees and will vest upon completion of three internal performance conditions each weighting for one third of the total number of awards granted. The nonvested shares vest over the following requisite period: 32% on May 14 2010, 32% on May 14 2011, 36% on May 14 2012.

On July 22 2010, the parent company granted 14,300 nonvested shares to senior executives and selected employees to be issued upon vesting from treasury stock ("The 2010 Employees Plan"). The shares were granted for free to employees and will vest upon completion of three internal performance conditions each weighting for one third of the total number of awards granted. The nonvested shares vest over the following requisite period: 32% on May 25 2011, 32% on May 25 2012, 36% on May 25 2013. A further 2000 nonvested shares were then granted to 2 employees on December 17 2010 as an extension to the 2010 scheme.

On July 25 2011, the parent company granted 8,100 nonvested shares to senior executives and selected employees to be issued upon vesting from treasury stock ("The 2011 Employees Plan"). The shares were granted for free to employees and will vest upon completion of three internal performance conditions each weighting for one third of the total number of awards granted. The nonvested shares vest over the following requisite period: 32% on May 3 2012, 32% on May 3 2013, 36% on May 3 2014.

Grant date	25/07/2011	17/12/2010	22/07/2010
Share price at grant date	\$9.11	\$10.03	\$8.69
Exercise price	\$9.11	\$10.03	\$8.69
Number of employees	6	2	9
Shares under option	8,100	2,000	14,300
Vesting period (months)	34	29	34
Expected volatility	-	-	-
Option life (months)	34	29	34
Expected life (months)	34	29	34
Risk free rate	-	-	-
Expected dividends expressed as a dividend yield	-	-	-
Fair value per option	\$9.11	\$10.03	\$8.69

The expected volatility of the 2005 plan is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon US government bonds of a term consistent with the assumed option life. The Black Scholes model has been used to calculate the fair value per option. A reconciliation of option movements over the year to 31 December 2011 is shown below.

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Notes to the financial statements for the year ended 31 December 2011 (continued)

21 Share Based Payments (continued)

2. Nonvested share awards (continued)

	2011		2010	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 January	19,662	\$8.55	15,630	\$10.49
Granted	10,100	\$9.92	14,300	\$8.69
Forfeited	-	-	(382)	\$8.03
Exercised	(6,584)	\$8.75	(6,516)	\$14.06
Cancelled	(5,407)	\$8.85	(3,370)	\$7.54
Outstanding at 31 December	17,771	\$8.80	19,662	\$8.55
Exercisable at 31 December	-	-	-	-

All shares are granted at nil cost to employees.

22 Ultimate parent undertaking

The company is ultimately owned by STMicroelectronics Holding NV which is incorporated in the Netherlands

STMicroelectronics NV, the immediate parent company, heads the smallest group in which the Company's accounts are consolidated. The largest group to consolidate the results of the company is that headed by STMicroelectronics Holding NV, the ultimate parent undertaking, and is 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