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LAM RESEARCH LIMITED

Report and Accounts

30 June 2002



Registered Company : SC 094281

DIRECTORS
G Coles
T Fried
M Johnson
G M Schisler

SECRETARY
G Coles

AUDITORS
Ernst & Young LLP
George House
50 George Square
Glasgow
G2 1RR

BANKERS
ABN Amro Bank NV
250 Bishopsgate
London
EC2M 4AA

REGISTERED OFFICE
Suite 4/3, The Skypark
8 Elliot Place
Glasgow
G3 8EP

COMPANY REGISTRATION NUMBER
SC 094281

ERNST & YOUNG

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30 June 2002.

RESULTS AND DIVIDENDS

The loss for the year, after taxation, amounted to £199,101 (2001 - £198,410). An interim dividend of £5,590,269 was paid during the year. The directors do not recommend the payment of a final dividend which leaves a loss of £5,789,370 being deducted from reserves.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The activities of the company consist of the provision of an after sale maintenance and repair service for semi conductor manufacturing equipment which is sold by the US parent company, Lam Research Corporation, primarily to UK customers.

DIRECTORS AND THEIR INTERESTS

The directors at 30 June 2002 are listed on page 1. None of the directors held any interest in the share capital of the company at the year end.

U Beck and R H Lovgren resigned as directors on 31 December 2001, and G Coles and G M Schisler were appointed directors on the same date.

AUDITORS

A resolution to reappoint Ernst & Young LLP as the company's auditors will be put to the forthcoming annual general meeting.

On behalf of the board

G Coles
Director

7 January 2003

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act. 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.

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LAM RESEARCH LIMITED

We have audited the company's financial statements for the year ended 30 June 2002 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 18. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

This report has been prepared for the members of the company pursuant to Section 235 of the Companies Act 1985 (the "Act") and for no other purpose.

No person is entitled to rely on this report unless such person:

i) is a person who is entitled to rely on this report by virtue of and for the purposes of the Act; or

ii) has been expressly authorised to do so by our prior written consent

Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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.

ERNST & YOUNG

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 2002 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Glasgow

7 January 2003

PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2002

	Note	2002 £	2001 £
TURNOVER	2	4,491,900	6,721,786
Cost of sales		(2,688,640)	(3,780,023)
GROSS PROFIT		1,803,260	2,941,763
Administration expenses		(2,037,579)	(2,934,215)
OPERATING (LOSS)/PROFIT	3	(234,319)	7,548
Other income	5	17,170	350,270
Interest payable and similar charges	6	(10,061)	(7,510)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7(b)	(227,210)	350,308
Taxation	7(a)	28,109	(151,898)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	13	(199,101)	198,410
Dividends	8/13	(5,590,269)	-
RETAINED (LOSS)/PROFIT FOR THE YEAR		(5,789,370)	198,410

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STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the loss attributable to shareholders of the company of £199,101 in the year ended 30 June 2002 and of the profit of £198,410 in the year ended 30 June 2001.

BALANCE SHEET
at 30 June 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible fixed assets	9	60,560	113,843
CURRENT ASSETS			
Debtors	10	2,006,384	6,975,023
Cash at bank and in hand		7,070	798,795
		2,013,454	7,773,818
CREDITORS - amounts falling due within one year	11	(959,526)	(983,803)
NET CURRENT ASSETS		1,053,928	6,790,015
TOTAL ASSETS LESS CURRENT LIABILITIES		1,114,488	6,903,858
CAPITAL AND RESERVES			
Called up share capital	12/13	2	2
Profit and loss account	13	1,114,486	6,903,856
EQUITY SHAREHOLDERS' FUNDS		1,114,488	6,903,858

G Coles
Director

7 January 2003

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NOTES TO THE ACCOUNTS
at 30 June 2002

1 ACCOUNTING POLICIES

Basis of preparation and change in accounting policy
The financial statements are prepared under the historical cost convention.

The financial statements are prepared in accordance with applicable accounting standards.

In preparing the financial statements for the current year, the group has adopted FRS 18 'Accounting Policies', FRS 19 'Deferred Tax' and the transitional arrangements of FRS 17 'Retirement Benefits'. The adoption of FRS 19 has resulted in a change in accounting policy for deferred tax. Deferred tax is recognised on a full provision basis in accordance with the accounting policy described below. Previously, deferred tax was provided for on a partial provision basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in the future without replacement.

Adoption of FRS 18 has not required any revisions to the financial statements in either the current or prior years.

Cash flow
In view of the exemptions allowed under FRS1 the directors have elected not to present a cash flow statement.

Depreciation
Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of each asset over its expected useful life as follows:

Leasehold improvements	- 5 years straight line
Fixtures and fittings	- 5 years straight line
Computer equipment	- 3 years straight line

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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 have occurred at that date that will result in an obligation to pay more or a right to pay less or to receive more tax, with the exception of deferred tax assets which are recognised only to the extent that the directors consider that it is 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 is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

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NOTES TO THE ACCOUNTS
at 30 June 2002

1 **ACCOUNTING POLICIES** (continued)

Pensions
The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Leasing commitments
Rentals paid under operating leases are charged to income on a straight line basis over the lease term.

2 **TURNOVER**
Turnover comprises the invoice value of goods and services supplied by the company exclusive of VAT.

Turnover is attributable to the one continuing activity, the provision of an after sale maintenance and repair service for semi-conductor manufacturing equipment which is sold by the US parent company to UK customers. 23.8% (2001 - 13%) of turnover is attributable to geographical markets outside the United Kingdom. Exemption from disclosure of further segmental analysis has been claimed in accordance with paragraph 55(5) of Schedule 4 to the Companies Act 1985.

3 **OPERATING (LOSS)/PROFIT**
This is stated after charging/(crediting):

	2002 £	*2001* £
Auditors' remuneration		
- audit services	9,350	9,000
- non audit services	7,342	19,200
Depreciation of tangible fixed assets	61,784	48,971
Exchange (gain)	(261,617)	(141,719)
Operating lease charges		
- land and buildings	36,056	34,909
- other	117,538	121,358

4 **STAFF COSTS**
(a) Staff costs are made up as follows:

	2002 £	*2001* £
Wages and salaries	887,090	1,349,265
Social security costs	98,682	147,387
Pension costs	52,006	62,454
	1,037,778	1,559,106

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NOTES TO THE ACCOUNTS
at 30 June 2002

4 STAFF COSTS (continued)

(b) The average weekly number of employees during the year is made up as follows:

	No.	*No.*
Sales	2	1
Administration	6	4
Service and processing	18	25
	26	30

(c) Directors' emoluments

	£	£
Emoluments	-	-
Company contributions paid to defined contribution pension scheme	-	-

	No.	*No.*
Members of defined contribution pension scheme	-	-

5 OTHER INCOME

	2002 £	*2001* £
Bank interest	17,170	65,154
Interest from group undertakings	-	285,116
	17,170	350,270

6 INTEREST PAYABLE AND SIMILAR CHARGES

	2002 £	*2001* £
Bank charges	10,061	5,938
Interest on late payment of tax	-	1,572
	10,061	7,510

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7 TAXATION

(a) Tax on (loss)/profit on ordinary activities

The tax (credit)/charge is made up as follows:

	Note	2002 £	2001 £
Current tax:			
UK corporation tax		(27,017)	151,885
(Over)/underprovision relating to prior years		(1,092)	13
	7(b)	(28,109)	151,898

(b) Factors affecting current charge

The tax assessed on the (loss)/profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2001 - 30%). The differences are reconciled below.

		2002 £	2001 £
(Loss)/profit on ordinary activities before tax		(227,210)	350,308
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK at 30% (2001 - 30%)		(68,163)	105,092
Effect of:			
Disallowed expenses and non-taxable income		33,432	48,694
Fixed asset timing differences		7,714	(1,901)
Adjustments in respect of previous periods		(1,092)	13
	7(a)	(28,109)	151,898

(c) Factors that may affect future tax charges

Based on current capital investment plans, the company expects that depreciation will be in excess of capital allowances in future years, but at a slightly lower level.

No provision has been made for the deferred tax asset of approximately £24,000 (2201 - £16,000) in relation to depreciation in excess of capital allowances.

8 DIVIDENDS AND OTHER APPROPRIATIONS

	2002 £	2001 £
Equity dividends on ordinary shares:		
Interim paid	5,590,269	-

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NOTES TO THE ACCOUNTS
at 30 June 2002

9 FIXED ASSETS

	Leasehold improvements	*Equipment and fittings*	*Total*
	£	£	£
Cost:			
At 1 July 2001	30,000	192,305	222,305
Additions	-	17,639	17,639
Disposals	-	(77,040)	(77,040)
At 30 June 2002	30,000	132,904	162,904
Depreciation:			
At 1 July 2001	4,500	103,962	108,462
Charge for year	6,000	55,784	61,784
Disposals	-	(67,902)	(67,902)
At 30 June 2002	10,500	91,844	102,344
Net book value:			
At 30 June 2002	19,500	41,060	60,560
At 30 June 2001	25,500	88,343	113,843

10 DEBTORS

	2002	*2001*
	£	£
Trade debtors	634,542	480,085
Other debtors	22,700	23,750
Prepayments and accrued income	62,082	68,294
VAT	17,647	56,589
Corporation tax debtor	28,393	-
Due from group companies	1,241,020	6,346,305
	2,006,384	6,975,023

11 CREDITORS - amounts falling due within one year

	2002	*2001*
	£	£
Trade creditors	34,553	135,122
Other taxes and social security costs	24,245	64,785
Other creditors	4,761	24,769
Accruals and deferred income	88,920	132,324
Corporation tax	-	21,885
Due to group companies	807,047	604,918
	959,526	983,803

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NOTES TO THE ACCOUNTS
at 30 June 2002

12 SHARE CAPITAL

	Authorised		Allotted, called up and fully paid	
	2002	*2001*	*2002*	*2001*
	£	£	£	£
Ordinary shares of £1 each	75,000	75,000	2	2

13 RECONCILIATION OF SHARE HOLDERS' FUNDS AND MOVEMENTS ON RESERVES

	Share capital	*Profit and loss account*	*Total*
	£	£	£
At 30 June 2000	2	6,705,446	6,705,448
Profit for year	-	198,410	198,410
At 30 June 2001	2	6,903,856	6,903,858
Loss for year	-	(199,101)	(199,101)
Dividends	-	(5,590,269)	(5,590,269)
At 30 June 2002	2	1,114,486	1,114,488

14 CAPITAL COMMITMENTS

	2002	*2001*
	£	£
Contracted	-	-

15 PENSION COMMITMENTS

The company operates a defined contribution pension scheme for its directors and employees. The assets of the scheme are held separately from those of the company in an independently administered fund. There were no unpaid contributions outstanding at the year end. (2001 - £Nil).

16 OTHER FINANCIAL COMMITMENTS

At 30 June 2002 the company had annual commitments under non-cancellable operating leases as set out below:

	Land and buildings		*Other*	
	2002	*2001*	*2002*	*2001*
	£	£	£	£
Operating leases which expire:				
Within two to five years	-	-	97,460	109,796
In over five years	29,731	32,676	-	-
	29,731	32,676	97,460	109,796

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NOTES TO THE ACCOUNTS
at 30 June 2002

17 RELATED PARTIES

There have been no related party transactions except for intra group transactions which have not been disclosed due to the exemption for 90% subsidiaries contained in Financial Reporting Standard No. 8.

18 HOLDING COMPANY

The ultimate holding company is Lam Research Corporation, registered in the USA. It has included the company in its group accounts, copies of which are available from its registered office:

4650 Cushing Parkway
Fremont
California 94538
USA

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