

## **KLA-Tencor Limited**

Report and Financial Statements

Year Ended

30 June 2011

Company Number 1560324



# **KLA-Tencor Limited**

## **Report and financial statements for the year ended 30 June 2011**

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### **Directors**

B M Martin  
V A Kirloskar

### **Secretary and registered office**

100 New Bridge Street, London, EC4V 6JA

### **Company number**

1560324

### **Auditors**

BDO LLP, Kings Wharf, 20-30 Kings Road, Reading, Berkshire, RG1 3EX

# **KLA-Tencor Limited**

## **Report of the directors for the year ended 30 June 2011**

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The directors present their report together with the audited financial statements for the year ended 30 June 2011

### **Principal activities**

The KLA-Tencor group is a world leader in yield management and process control solutions for the semi-conductor and related industries. The principal activities of the company continue to be providing maintenance services to customers of the company and providing equipment installation, after sales support and sales promotion services to group companies.

The company operates branches in the Netherlands, Belgium and Finland.

### **Business review and future developments**

The results for the UK company show a pre-tax profit of £1,758,734 for the year (2010 pre-tax loss - £733,783) and sales of £43,338,079 (2010 - £36,138,944). The company had cash of £8,019,845 at 30 June 2011 (2010 - £6,251,366).

The performance of the UK business is regularly assessed by the parent company at management level with a view to current market conditions. The company seeks to maintain a competitive advantage and a close and responsive relationship with our customers.

There are currently no plans for any future strategic changes to the business.

### **Business environment**

The semi-conductor equipment market is driven by technology, and the market is cyclical. The continuing evolution of semi-conductor devices to smaller line width geometries and more complex multi-level circuitry has significantly increased the cost and performance requirements of the capital equipment used to manufacture these devices. Our process control and yield management solutions enable our customers to improve their return on investment on this equipment.

### **Strategy**

KLA-Tencor's group strategy is to maximise its position in the market place. As a service provider the strategy is to maximise our customers' use of KLA-Tencor Limited for the servicing of KLA-Tencor Corporation tools. Our staff are trained and certified in the servicing of KLA-Tencor Corporation tools and yield management solutions, ensuring world class service offerings.

KLA-Tencor Corporation believes that continued and timely development of new products and enhancements to existing products are necessary to maintain its competitive position.

### **Principal risks and uncertainties**

Our operating results may not follow any past trends, but we believe the following could make our results fluctuate:

- Cyclical nature of the semi-conductor market
- Global economic uncertainty
- Competitive pressure
- Our customers acceptance and adoption of new products and technologies
- Our ability to protect our intellectual property

Market, credit and liquidity risks are managed by the KLA-Tencor Corporation internal management team and their external investment managers.

The company has received confirmation from its parent that it will provide full support as is necessary for the company to continue to trade and meet its liabilities as they fall due for at least 12 months from the approval of the financial statements.

# **KLA-Tencor Limited**

## **Report of the directors for the year ended 30 June 2011 (*continued*)**

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### **Key performance indicators ("KPIs")**

Given the straightforward nature of the business, a quarterly balanced scorecard approach is taken to monitor the company performance. The key measurements are customer focus, company growth, operational excellence and talent management with key matrixes defined and monitored by the parent company.

In 2011, the European companies, including KLA-Tencor Limited, achieved a total score of 4 out of a possible 5 in all sections. Specific successes were recorded in Growth where a maximum 5 was scored for Contract penetration / Warranty conversion. In the new category Talent Management, which was set up in 2010, a score of 4+ was achieved.

Areas noted for improvement in 2012 were Revenue & Share – Service, Parts quality & inventory reduction and engagement survey.

### **Results and dividends**

The profit and loss account for the year is set out on page 6. The directors do not recommend the payment of a dividend for the year (2010 - Nil).

### **Directors**

The directors of the company during the year were

B M Martin  
V A Kirloskar

### **Directors' responsibilities**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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.

# KLA-Tencor Limited

## Report of the directors for the year ended 30 June 2011 (*continued*)

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### Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

The auditors, BDO LLP, are deemed to be reappointed in accordance with section 487 of the Companies Act 2006.

### On behalf of the Board



V A Kirloskar  
Director

Date 27/3/12

# **KLA-Tencor Limited**

## **Independent auditor's report**

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### **TO THE MEMBERS OF KLA-TENCOR LIMITED**

We have audited the financial statements of KLA-Tencor Limited for the year ended 30 June 2011 which comprise the profit and loss account, the balance sheet 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).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the 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 (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### **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 30 June 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.

# KLA-Tencor Limited

## Independent auditor's report (*continued*)

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### 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

BDO LLP

Andrea Bishop (senior statutory auditor)  
For and on behalf of BDO LLP, statutory auditor  
Reading  
United Kingdom

Date 2 May 2012

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127)

# KLA-Tencor Limited

## Profit and loss account for the year ended 30 June 2011

	Note	2011 £	2010 £
<b>Turnover</b>	2	<b>43,338,079</b>	36,138,944
Cost of sales		(39,855,876)	(34,247,506)
<b>Gross profit</b>		<b>3,482,203</b>	1,891,438
Other Income		302,319	273,071
Administrative expenses		(2,845,616)	(2,584,968)
Foreign exchange gain/(loss)		807,029	(319,017)
<b>Total Administrative Expenses</b>		<b>(2,038,587)</b>	(2,903,985)
<b>Operating profit/(loss)</b>	3	<b>1,745,935</b>	(739,476)
Other interest receivable and similar income		14,103	12,418
Interest payable and similar charges		(1,304)	(6,725)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>1,758,734</b>	(733,783)
Taxation on profit/(loss) from ordinary activities	6	(576,984)	(101,320)
<b>Profit/(loss) on ordinary activities after taxation</b>	15	<b>1,181,750</b>	(835,103)

All amounts relate to continuing activities

All recognised gains and losses are included in the profit and loss account

The notes on pages 8 to 20 form part of these financial statements



# KLA-Tencor Limited

## Balance sheet at 30 June 2011

<i>Company number 1560324</i>	<i>Note</i>	<i>2011</i> £	<i>2011</i> £	<i>2010</i> £	<i>2010</i> £
<b>Fixed assets</b>					
Tangible assets	7		79,426		64,902
Investments	8		1,517,521		1,517,521
<b>Current assets</b>					
Stocks	9	10,142,421		10,808,831	
Debtors	10	2,970,601		3,694,948	
Cash at bank and in hand		8,019,845		6,251,366	
		<u>21,132,867</u>		<u>20,755,145</u>	
<b>Creditors' amounts falling due within one year</b>	11	<u>(3,799,488)</u>		<u>(4,349,147)</u>	
<b>Net current assets</b>			<u>17,333,379</u>		<u>16,405,993</u>
<b>Total assets less current liabilities</b>			<u>18,930,326</u>		<u>17,988,421</u>
<b>Provisions for liabilities</b>	13		<u>(88,787)</u>		<u>(150,781)</u>
<b>Net assets</b>			<u>18,841,539</u>		<u>17,837,640</u>
<b>Capital and reserves</b>					
Called up share capital	14		186,500		186,500
Capital contribution	15		7,500,000		7,500,000
Profit and loss account	15		11,155,039		10,151,140
<b>Shareholders' funds</b>	16		<u>18,841,539</u>		<u>17,837,640</u>

The financial statements were approved by the Board of Directors and authorised for issue on

  
V A Kirloskar  
Director

27/3/12

The notes on pages 8 to 20 form part of these financial statements

# KLA-Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2011

### 1 Accounting policies

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards

#### *Basis of accounting*

The financial statements have been prepared on a going concern basis, as the company has received confirmation from its parent company that it will provide full support as is necessary for the company to continue to trade and meet its liabilities as they fall due for at least 12 months from the approval of the financial statements

The company is exempt under section 400A of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the full consolidated financial statements of its parent, KLA-Tencor Corporation, which are prepared in a manner equivalent to the requirements of the 7th Directive

#### *Turnover*

Turnover represents the total invoice value, excluding value added tax, of sales made during the year

Turnover is derived from amounts invoiced to other group undertakings, for sales promotion, equipment installation and warranty services to customers and amounts invoiced to customers in respect of maintenance work and product sales

Revenue is generally recognised when all of the following conditions are satisfied

- (i) There is persuasive evidence of an arrangement
- (ii) The service has been provided to the customer
- (iii) The amount of fees to be paid by the customer are fixed or determinable
- (iv) The collection of the fees is probable

Income earned from after-sales service contract support and maintenance services under warranty is recognised over the period of the warranty obligation or relevant support contract

#### *Tangible fixed assets and depreciation*

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition

Tangible fixed assets are stated at historical cost less accumulated depreciation. Depreciation is calculated so as to write off the cost on a straight-line basis over their estimated economic useful lives. The principal rates used for this purpose are

Leasehold improvements	-	Shorter of 10 years or remaining period of lease
Plant, machinery and motor vehicles	-	2 - 5 years
Fixtures, fittings and equipment	-	5 years

#### *Stocks*

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price.

#### *Foreign currencies*

Transactions denominated in foreign currencies are translated into sterling and recorded at exchange rates ruling at the transaction date. Monetary assets and liabilities in foreign currencies are translated into sterling at exchange rates ruling at the balance sheet date. Exchange differences are dealt with in the profit and loss account in the period in which they arise.

# KLA-Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

### 1 Accounting policies (*continued*)

#### *Investments*

Investments in subsidiary undertakings in the financial statements of the company are carried at cost less provision for any diminution in value

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted

#### *Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership ('finance leases'), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

#### *Pension costs*

Contributions to the company's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable. The assets of the scheme are held separately in an independently administered fund.

#### *Related parties*

The company is a wholly owned subsidiary of KLA-Tencor Corporation and has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with KLA-Tencor Corporation, KLA-Tencor Ireland Limited and other wholly owned subsidiaries within the group.

#### *Cash flow statement*

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

# KLA-Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2011 (continued)

### 1 Accounting policies (continued)

#### *Vacant property provisions*

The company provides against the expected future rentals and service costs to be incurred to the expiry of the final lease for vacant leasehold property, less any expected future rental income if the properties are sublet. Provision is also made against the value of the tangible fixed assets relating to the vacant leasehold properties.

#### *Share based payments*

The ultimate parent company, KLA-Tencor Corporation, operates equity-settled, share-based compensation plans. Certain employees of the company receive awards of options or restricted stock under these plans. The fair value of the employee services received in exchange for these awards is recognised as an expense, with a corresponding increase in profit and loss. The total amount to be expensed over the vesting period is determined by the fair value of the awards granted. At each balance sheet date, the company revises its estimate of the awards that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to the profit and loss reserve.

Upon exercise, KLA-Tencor Corporation makes a recharge to the company in respect of certain share awards granted to the company's employees.

When incurred, these intercompany charges are offset in the profit and loss reserve against the share based payment charge, that excess is treated as a distribution from the company to its parent.

### 2 Turnover

The geographical analysis of turnover by destination is as follows:

	2011 £	2010 £
United Kingdom	2,457,223	2,075,437
Rest of Europe	18,662,400	16,169,778
United States of America	19,205,448	15,228,552
Rest of world	3,013,008	2,665,177
	<u>43,338,079</u>	<u>36,138,944</u>

### 3 Operating profit/(loss)

	2011 £	2010 £
Services provided by the company's auditor		
-Fees payable for the audit	36,000	36,000
-Fees payable for other services - tax compliance	8,500	11,500
Depreciation of tangible owned fixed assets	24,511	12,023
Depreciation of fixed assets held under finance leases	22,158	62,494
Operating lease charges		58,850
-land and building	36,153	36,321
-plant and machinery	20,754	22,529
Exchange (gain)/loss arising on translation of foreign currencies	(807,029)	319,017
	<u></u>	<u></u>

# KLA-Tencor Limited

Notes forming part of the financial statements  
for the year ended 30 June 2011 (*continued*)

## 4 Wages and salaries

	2011 £	As Restated 2010 £
Staff costs (including directors) consist of		
Wages and salaries (including directors' remuneration)	2,262,567	1,987,993
Social security costs	312,286	252,657
Share based payment - fair value of employee services (note 19)	344,782	336,257
Pension costs (note 18)	157,376	138,182
	<u>3,077,011</u>	<u>2,715,089</u>

Prior year numbers have been restated to include payroll recharge to the parent company KLA-Tencor Corporation for services provided

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

	2011 Number	2010 Number
Engineering and servicing	21	22
Selling and distribution	6	7
Administration	10	7
	<u>37</u>	<u>36</u>

## 5 Directors

The emoluments of all directors during the current and prior year were paid by other group companies for services to the group as a whole, and the directors received no separate emoluments for their services to this company. The Directors consider the services provided to the company to be incidental.

No recharge for any of these services was made to the company, and no apportionment of their total remuneration for these services is possible. Where required by local legislation their remuneration is disclosed in the accounts of their employer.

No retirement benefits are accruing to directors (2010 - Nil) under defined contribution pension schemes.

# KLA-Tencor Limited

Notes forming part of the financial statements  
for the year ended 30 June 2011 (continued)

## 6 Taxation on profit/(loss) from ordinary activities

	2011 £	2010 £
<i>Current tax</i>		
UK corporation tax at 27.5% (2010 - 28%)	566,910	(91,266)
Double tax relief	(122,472)	-
Overseas tax	155,469	112,377
Adjustment in respect of prior years	(52,784)	61,000
	<hr/>	<hr/>
Total current tax	547,123	82,111
<i>Deferred tax</i>		
Origination and reversal of timing differences	24,190	19,209
Adjustment in respect of prior years	(85)	-
Effect of tax rate change on opening balance	5,756	-
	<hr/>	<hr/>
Total deferred tax	29,861	19,209
	<hr/>	<hr/>
Taxation on profit/(loss) on ordinary activities	576,984	101,320
	<hr/>	<hr/>

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

	2011 £	2010 £
Profit/(loss) on ordinary activities before tax	1,758,734	(733,783)
	<hr/>	<hr/>
Profit/(loss) on ordinary activities at the standard rate of corporation tax in the UK of 27.5% (2010 - 28%)	483,652	(205,459)
Effects of		
Expenses not deductible for tax purposes	114,737	154,661
Share based payments	-	(8,762)
Accelerated capital allowances	(25,587)	(19,209)
Foreign tax	23,376	99,880
Adjustments to tax charge in respect of previous period	(49,055)	61,000
	<hr/>	<hr/>
Current tax charge for year	547,123	82,111
	<hr/>	<hr/>

# KLA-Tencor Limited

Notes forming part of the financial statements  
for the year ended 30 June 2011 (*continued*)

## 7 Tangible fixed assets

	Leasehold improvements £	Plant, machinery and motor vehicles £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>				
At 1 July 2010	46,872	760,049	20,019	826,940
Additions	2,840	58,353	-	61,193
At 30 June 2011	49,712	818,402	20,019	888,133
<i>Depreciation</i>				
At 1 July 2010	22,735	723,678	15,625	762,038
Provided for the year	3,918	41,258	1,493	46,669
At 30 June 2011	26,653	764,936	17,118	808,707
<i>Net book value</i>				
At 30 June 2011	23,059	53,466	2,901	79,426
At 30 June 2010	24,137	36,371	4,394	64,902

The net book value of fixed assets includes an amount of £224 (2010 - £22,382) within equipment and motor vehicles in respect of assets held under finance leases

## 8 Investments

	£
At 1 July 2010 and 30 June 2011	1,517,521

Investments represent the Company's interest in its wholly owned subsidiary undertaking KLA-Tencor Ireland Limited, a company registered in Ireland. The company also holds a 100% holding in KLA-Tencor (Service) Limited, a dormant company registered in United Kingdom.

Subsidiary undertaking	Nature of business	% Ordinary shares and voting rights	Country of registration
KLA-Tencor (Service) Limited	Dormant	100	United Kingdom
KLA-Tencor Ireland Limited	Trading – Providing maintenance services to customers in the semi-conductor industry	100	Ireland

# KLA-Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2011 (continued)

### 8 Investments (continued)

The following table shows, for each investment, the amount of capital and reserves at the end of the most recent financial year, and the profit or loss for that year

Subsidiary undertaking	Year ended	Profit/(loss) for the year	Capital and reserves
KLA-Tencor (Service) Limited	30 June 2011	-	-
KLA-Tencor Ireland Limited	30 June 2011	(€809,195)	€8,128,711

The directors believe that the carrying value of the investments is supported by their underlying net assets

### 9 Stocks

	2011 £	2010 £
Raw materials and consumables	10,142,421	10,808,831

There is no material difference between the replacement cost of stocks and the amounts stated above

### 10 Debtors

	2011 £	2010 £
Trade debtors	1,077,290	598,812
Amounts owed by group undertakings	1,389,508	2,651,649
Other debtors and prepayments	453,172	363,995
Deferred tax (see note 13)	50,631	80,492
	<u>2,970,601</u>	<u>3,694,948</u>

All amounts shown under debtors fall due for payment within one year

### 11 Creditors amounts falling due within one year

	2011 £	2010 £
Trade creditors	144,517	216,089
Amounts owed to group undertakings	2,254,756	2,409,006
Other taxation and social security	139,929	141,378
Accruals and other creditors	990,341	952,851
Finance lease obligations	224	29,995
Corporation tax	264,284	597,017
Deferred income	5,437	2,811
	<u>3,799,488</u>	<u>4,349,147</u>

Amounts owed to group undertaking are unsecured, interest free and repayable on demand



# KLA-Tencor Limited

Notes forming part of the financial statements  
for the year ended 30 June 2011 (*continued*)

## 12 Finance leases

Future minimum payments under finance leases are as follows

	2011 £	2010 £
Within one year	224	29,995

## 13 Provisions for liabilities

	Dilapidations provision £	Onerous lease £	Total £
At 1 July 2010	63,242	87,539	150,781
Charged to the profit and loss account	(1,157)	(60,837)	(61,994)
At 30 June 2011	62,085	26,702	88,787

The onerous lease provision has been made in respect of certain vacant leasehold properties held by the company. The provision represents the expected future rentals and service costs to be incurred up to the expiry of the final lease.

The dilapidations provision has also been made in respect of certain vacant leasehold properties held by the company. The provision represents the expected future costs to be incurred in accordance with the lease agreements, to repair the properties to their state at the commencement of the lease.

# KLA-Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2011 (*continued*)

### 13 Provisions for liabilities (*continued*)

Deferred tax asset provided at year-end comprises

	2011 £	2010 £
Accelerated capital allowances	50,631	80,492
1 July 2010	80,492	99,701
Deferred tax in the profit and loss account (note 6)	(29,861)	(19,209)
30 June 2011	50,631	80,492

There is no deferred tax liability. The deferred tax asset has been recognised within debtors (see note 10)

### 14 Called-up share capital

	2011 £	2010 £
<i>Allotted called-up and fully paid</i> 186,500 ordinary shares of £1 each	186,500	186,500

### 15 Reserves

	Capital contribution £	Profit and loss account £
At 1 July 2010	7,500,000	10,151,140
Profit for the financial year	-	1,181,750
Share based payment - distribution	-	(177,851)
At 30 June 2011	7,500,000	11,155,039

# KLA-Tencor Limited

Notes forming part of the financial statements  
for the year ended 30 June 2011 (*continued*)

## 16 Reconciliation of movements in shareholders' funds

	2011 £	2010 £
Profit/(loss) for the year	1,181,750	(835,103)
Share based payment	(177,851)	161,418
Net increase/(decrease) in shareholders' funds	1,003,899	(673,685)
Opening shareholders' funds	17,837,640	18,511,325
Closing shareholders' funds	18,841,539	17,837,640

## 17 Financial commitments

At 30 June 2011 the company had annual commitments under non-cancellable operating leases as follows

	2011 Land and buildings £	2011 Plant and machinery £	2010 Land and buildings £	2010 Plant and machinery £
Operating leases which expire				
Within one year	12,800	7,076	25,525	-
In two to five years	-	8,875	38,400	18,971
Over five years	28,511	-	27,250	-
	41,311	15,951	91,175	18,971

## 18 Pension scheme

The company operated a number of defined contribution pension schemes during the year. The assets of these schemes are held separately from those of the company in independently administered funds. The pension cost charge includes contributions payable by the company to these funds and amounted to £157,376 (2010 - £138,182). There were no outstanding contributions at the year-end (2010 - Nil).

## 19 Share based payments

Substantially all of the Company's employees that meet established performance goals and qualify as key employees participate in its main equity incentive plan. Up to 30 June 2006, share options (except for the retroactively priced options which were primarily granted prior to the year ended 30 June 2002) were generally granted at the market price of the parent company's common stock on the date of grant, with a vesting period of five years and an exercise period not exceeding seven years (ten years for options granted prior to 1 July 2005) from the date of grant. Restricted stock units may be granted with varying criteria such as time-based or performance-based vesting.

# KLA-Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2011 (continued)

### 19 Share based payments (continued)

Since 1 July 2006, the Company has granted only restricted stock units under its equity incentive program

On 18 October 2004, the 2004 Equity Incentive Plan (the "2004 Plan") was approved. It provides for the grant of options to purchase shares of KLA-Tencor Inc's common stock, stock appreciation rights, restricted stock units, performance shares, performance units and deferred stock units to employees, consultants and members of the Board of Directors.

The expense recognised for share-based payments in respect of employee services received during the year to 30 June 2011 is £344,782 (2010 - £336,257). The portion of that expense arising from restricted share units is £344,383 (2010 - £328,818).

#### Stock options

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, share options during the year.

	2011 No.	2011 WAEP	2010 No	2010 WAEP
Outstanding as at 1 July <sup>1</sup>	119,526	£28.36 <sup>1</sup>	125,765	£21.21 <sup>1</sup>
Forfeited during the year	(234)	£25.28	(639)	£24.01
Exercised	(26,701)	£21.05 <sup>2</sup>	(4,000)	£21.33 <sup>3</sup>
Expired/adjusted during the year	(12,956)	£27.93	(1,600)	£30.24
	<hr/>		<hr/>	
Outstanding at 30 June <sup>1</sup>	79,635	£28.45	119,526	£28.36
	<hr/>		<hr/>	
Exercisable at 30 June <sup>1</sup>	79,635	£28.45	117,735	£28.34
	<hr/>		<hr/>	

<sup>1</sup> Included within this balance are options over 8,826 (2010: 36,907) shares that have not been recognised in accordance with FRS 20 as the options were granted on or before 7 November 2002. These options have not been subsequently modified and therefore do not need to be accounted for in accordance with FRS20.

<sup>2</sup> The weighted average share price at the date of exercise for the options exercised is £26.44.

<sup>3</sup> The weighted average share price at the date of exercise for the options exercised is £22.77.

For the share options outstanding as at 30 June 2011, the weighted average remaining contractual life is 2.2 years (2010: 2.4 years).

No options were granted in the years ended 30 June 2011 and 2010. The range of exercise prices for options outstanding at the end of the year was £18.30 - £36.27 (2010: £17.42 - £38.55).

# KLA-Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2011 (continued)

### 19 Share based payments (continued)

#### Restricted Stock Units (RSU's)

The following table illustrates the number and weighted average exercise prices (WAEP) of, and movements in, restricted stock units during the year

	2011 No	2010 No
Outstanding as at 1 July	49,873 <sup>1</sup>	35,985 <sup>1</sup>
Granted during the year	14,448	21,348
Forfeited during the year	-	-
Vested/released	(14,496) <sup>2</sup>	(7,960) <sup>3</sup>
	<hr/>	<hr/>
Outstanding at 30 June	49,825	49,373
	<hr/>	<hr/>
Unvested at 30 June	49,825	49,373
	<hr/>	<hr/>

<sup>1</sup> There are no RSUs over shares included within this balance that were granted on or before 7 November 2002

<sup>2</sup> The weighted average share price at the date of release for the awards is £21.28

<sup>3</sup> The weighted average share price at the date of the release for the awards is £20.98

For the restricted stock units outstanding as at 30 June 2011, the weighted average remaining contractual life is 2.1 years (2010 2.3 years)

The weighted average fair value of RSUs granted during the year was £18.74 (2010 £22.42). The exercise prices for all awards outstanding at the end of the year is £Nil (2007 £Nil)

#### Valuation assumptions

The fair value of stock-based awards is measured at grant date and is recognised as an expense over the employee's requisite service period applying the straight-line attribution approach. The fair value is determined using a Black-Scholes valuation model for stock options and for purchase rights under the Company's Employee Stock Purchase Plan and using the closing price of the company's common stock on the grant date for restricted stock units.

The company has granted only restricted stock units under its equity incentive program since August 1, 2006. Therefore, no comparative information is presented as the company did not issue any stock options during the fiscal year ended June 30, 2011 or during the year ended June 30, 2010.

There are no cash settled options as at 30 June 2011 (2010 Nil)

# **KLA-Tencor Limited**

**Notes forming part of the financial statements  
for the year ended 30 June 2011 (*continued*)**

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## **20 Ultimate parent undertaking and controlling party**

The directors regard KLA-Tencor Corporation, a company incorporated in the United States of America, as the immediate and ultimate parent company and controlling party. This company is also the parent of the smallest and largest group to consolidate the results of the company. According to the register kept by the Company, KLA-Tencor Corporation has a 100% interest in the equity capital of KLA-Tencor Limited at 30 June 2011. Copies of the group financial statements may be obtained from 160 Rio Robles, PO Box 49055, San Jose, CA95161-9055.

## **21 Post balance sheet events**

Due to reduced business activities by the Finland branch of KLA-Tencor Ltd over the last few years, it was decided by the management to close the branch. This was finalised by the Finnish authorities on 1st February 2012.

There were no redundancies as a result of the branch closure and no additional costs were incurred. All customers of the Finland branch will now be serviced by the UK company with no reduction in revenue expected.