

Registrar's Copy

## **KLA-Tencor Limited**

Report and Financial Statements

Year Ended

30 June 2012

Company Number 1560324

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# **KLA-Tencor Limited**

## **Report and financial statements for the year ended 30 June 2012**

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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 2012**

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The directors present their report together with the audited financial statements for the year ended 30 June 2012

### **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 and external customers.

The company operates branches in the Netherlands and Belgium.

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

The results for the UK company show a pre-tax profit of £17,413 for the year (2011 pre-tax profit - £1,758,734) and sales of £47,638,378 (2011 - £43,640,398). The company had cash of £3,235,376 at 30 June 2012 (2011 - £8,019,845).

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 2012 (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 2012, the European companies, including KLA-Tencor Ltd, achieved a total score of 3 out of 5 compared to 4 out of 5 in 2011. This is represented by a fall of approximately one point in each of the categories above. Measures have been taken by the management team to identify issues and improve future result.

### **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 (2011 - 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 2012 (*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 Kinoshkar  
Director

Date 19 March 2013

# **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 2012 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 2012 and of its loss 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 25 march 2013

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 2012

	Note	2012 £	2011 £
<b>Turnover</b>	2	<b>47,638,378</b>	43,640,398
Cost of sales		<b>(42,827,834)</b>	(39,855,876)
<b>Gross profit</b>		<b>4,810,544</b>	3,784,522
Administrative expenses		<b>(3,297,791)</b>	(2,845,616)
Foreign exchange (loss)/gain		<b>(1,516,672)</b>	807,029
Total administrative expenses		<b>(4,814,463)</b>	(2,038,587)
<b>Operating (loss)/profit</b>	3	<b>(3,919)</b>	1,745,935
Other interest receivable and similar income		<b>21,341</b>	14,103
Interest payable and similar charges		<b>(9)</b>	(1,304)
<b>Profit on ordinary activities before taxation</b>		<b>17,413</b>	1,758,734
Taxation on profit from ordinary activities	6	<b>(181,587)</b>	(576,984)
<b>Loss on ordinary activities after taxation</b>	15	<b>(164,174)</b>	1,181,750

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 2012**

<b>Company number 1560324</b>	<b>Note</b>	<b>2012 £</b>	<b>2012 £</b>	<b>2011 £</b>	<b>2011 £</b>
<b>Fixed assets</b>					
Tangible assets	7		69,251		79,426
Investments	8		1,517,521		1,517,521
<b>Current assets</b>					
Stocks	9	13,428,297		10,142,421	
Debtors	10	5,246,558		2,970,601	
Cash at bank and in hand		3,235,376		8,019,845	
		<u>21,910,231</u>		<u>21,132,867</u>	
<b>Creditors, amounts falling due within one year</b>	11	<u>(5,139,651)</u>		<u>(3,799,488)</u>	
<b>Net current assets</b>			<u>16,770,580</u>		<u>17,333,379</u>
<b>Total assets less current liabilities</b>			<u>18,357,352</u>		<u>18,930,326</u>
<b>Provisions for liabilities</b>	13		<u>(47,889)</u>		<u>(88,787)</u>
<b>Net assets</b>			<u>18,309,463</u>		<u>18,841,539</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		10,622,963		11,155,039
<b>Shareholders' funds</b>	16		<u>18,309,463</u>		<u>18,841,539</u>

The financial statements were approved by the Board of Directors and authorised for issue on 19 March 2013

  
V A Kirloskar  
Director

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 2012

### 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. 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.

In the prior year £492,097 has been reclassified from payroll costs within administrative expenses and £302,319 from other income to revenue as it falls under the classification of principal activities and therefore represents revenue to the company and has now been reflected as such in both current and prior year figures.

#### *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.

# KLA-Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2012 (*continued*)

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### 1 Accounting policies (*continued*)

#### *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.

#### *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.

# KLA-Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2012 (continued)

### 1 Accounting policies (continued)

#### *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

#### *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, the excess is treated as a distribution from the company to its parent.

### 2 Turnover

The geographical analysis of turnover by destination is as follows

	2012 £	2011 £
United Kingdom	2,468,460	2,457,223
Rest of Europe	20,749,779	18,662,400
United States of America	21,484,125	19,507,767
Rest of world	2,936,014	3,013,008
	<hr/>	<hr/>
	47,638,378	43,640,398
	<hr/>	<hr/>

# KLA-Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2012 (continued)

### 3 Operating (loss)/profit

	2012 £	2011 £
Services provided by the company's auditor		
- fees payable for the audit	38,800	36,000
- fees payable for other services - tax compliance	8,900	8,500
Depreciation of tangible owned fixed assets	29,966	24,511
Depreciation of fixed assets held under finance leases	224	22,158
Operating lease charges		
- land and building	36,253	36,153
- plant and machinery	16,687	20,754
Exchange loss/(gain) arising on translation of foreign currencies	1,516,672	(807,029)
	<u>                    </u>	<u>                    </u>

### 4 Wages and salaries

	2012 £	2011 £
Staff costs (including directors) consist of		
Wages and salaries (including directors' remuneration)	2,710,149	2,670,074
Social security costs	369,354	368,531
Share based payment - fair value of employee services (note 19)	303,945	344,782
Pension costs (note 18)	157,342	185,721
	<u>                    </u>	<u>                    </u>
	3,540,790	3,569,108
	<u>                    </u>	<u>                    </u>

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

	2012 Number	2011 Number
Engineering and servicing	19	21
Selling and distribution	5	6
Administration	10	10
	<u>                    </u>	<u>                    </u>
	34	37
	<u>                    </u>	<u>                    </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 (2011 - Nil) under defined contribution pension schemes.

# KLA-Tencor Limited

Notes forming part of the financial statements  
for the year ended 30 June 2012 (*continued*)

## 6 Taxation on profit from ordinary activities

	2012 £	2011 £
<i>Current tax</i>		
UK corporation tax at 25 50% (2011 - 27 5%)	40,713	566,910
Double tax relief	(40,713)	(122,472)
Overseas tax	168,410	155,469
Adjustment in respect of prior years	(706)	(52,784)
	<hr/>	<hr/>
Total current tax	167,704	547,123
<i>Deferred tax</i>		
Origination and reversal of timing differences	9,989	24,190
Adjustment in respect of prior years	-	(85)
Effect of tax rate change on opening balance	3,894	5,756
	<hr/>	<hr/>
Total deferred tax	13,883	29,861
	<hr/>	<hr/>
Taxation on profit on ordinary activities	181,587	576,984
	<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

	2012 £	2011 £
Profit on ordinary activities before tax	17,413	1,758,734
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 25 50% (2011 - 27 5%)	4,440	483,652
Effects of		
Expenses not deductible for tax purposes	10,275	19,917
Other short term timing difference	36,611	94,820
Accelerated capital allowances	(10,614)	(25,587)
Foreign tax	127,698	23,376
Adjustments to tax charge in respect of previous period	(706)	(49,055)
	<hr/>	<hr/>
Current tax charge for year	167,704	547,123
	<hr/>	<hr/>

# KLA-Tencor Limited

Notes forming part of the financial statements  
for the year ended 30 June 2012 (*continued*)

## 7 Tangible fixed assets

	Leasehold improvements £	Plant, machinery and motor vehicles £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>				
At 1 July 2011	49,712	818,402	20,019	888,133
Additions	12,385	5,350	2,280	20,015
Disposals	-	(6,508)	-	(6,508)
At 30 June 2012	<b>62,097</b>	<b>817,244</b>	<b>22,299</b>	<b>901,640</b>
<i>Depreciation</i>				
At 1 July 2011	26,653	764,936	17,118	808,707
Provided for the year	3,585	22,832	3,773	30,190
Disposals	-	(6,508)	-	(6,508)
At 30 June 2012	<b>30,238</b>	<b>781,260</b>	<b>20,891</b>	<b>832,389</b>
<i>Net book value</i>				
At 30 June 2012	<b>31,859</b>	<b>35,984</b>	<b>1,408</b>	<b>69,251</b>
At 30 June 2011	23,059	53,466	2,901	79,426

The net book value of fixed assets includes an amount of £Nil (2011 - £224) within equipment and motor vehicles in respect of assets held under finance leases

## 8 Investments

	£
At 1 July 2011 and 30 June 2012	<b>1,517,521</b>

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 2012 (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 for the year	Capital and reserves
KLA-Tencor (Service) Limited	30 June 2012	-	-
KLA-Tencor Ireland Limited	30 June 2012	€1,467,520	€9,646,264

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

## 9 Stocks

	2012 £	2011 £
Raw materials and consumables	13,428,297	10,142,421

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

## 10 Debtors

	2012 £	2011 £
Trade debtors	556,002	1,077,290
Amounts owed by group undertakings	4,329,151	1,389,508
Other debtors and prepayments	273,194	453,172
Deferred tax (see note 13)	36,748	50,631
Corporation tax	51,463	-
	<u>5,246,558</u>	<u>2,970,601</u>

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

## 11 Creditors: amounts falling due within one year

	2012 £	2011 £
Trade creditors	129,558	144,517
Amounts owed to group undertakings	3,757,775	2,254,756
Other taxation and social security	679,509	139,929
Accruals and other creditors	567,330	990,341
Finance lease obligations	-	224
Corporation tax	-	264,284
Deferred income	5,479	5,437
	<u>5,139,651</u>	<u>3,799,488</u>

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



# KLA-Tencor Limited

Notes forming part of the financial statements  
for the year ended 30 June 2012 (continued)

## 12 Finance leases

Future minimum payments under finance leases are as follows

	2012 £	2011 £
Within one year	-	224

## 13 Provisions for liabilities

	Dilapidations provision £	Onerous lease £	Total £
At 1 July 2011	62,085	26,702	88,787
Charged to the profit and loss account	8,475	-	8,475
Utilised in the year	(22,671)	(26,702)	(49,373)
At 30 June 2012	47,889	-	47,889

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

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 2012 (continued)

### 13 Provisions for liabilities (continued)

Deferred tax asset provided at year-end comprises

	2012 £	2011 £
Accelerated capital allowances	36,748	50,631
1 July 2011	50,631	80,492
Deferred tax in the profit and loss account (note 6)	(13,883)	(29,861)
30 June 2012	36,748	50,631

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

### 14 Called-up share capital

	2012 £	2011 £
<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 2011	7,500,000	11,155,039
Loss for the financial year	-	(164,174)
Share based payment - distribution	-	(367,902)
At 30 June 2012	7,500,000	10,622,963

# KLA-Tencor Limited

Notes forming part of the financial statements  
for the year ended 30 June 2012 (continued)

## 16 Reconciliation of movements in shareholders' funds

	2012 £	2011 £
(Loss)/profit for the year	(164,174)	1,181,750
Share based payment	303,945	344,782
Intercompany recharge – share based payment	(671,847)	(522,633)
Net increase in shareholders' funds	532,076	1,003,899
Opening shareholders' funds	18,841,539	17,837,640
Closing shareholders' funds	18,309,463	18,841,539

## 17 Financial commitments

At 30 June 2012 the company had annual commitments under non-cancellable operating leases as follows

	2012 Land and buildings £	2012 Plant and machinery £	2011 Land and buildings £	2011 Plant and machinery £
Operating leases which expire				
Within one year	-	7,471	12,800	7,076
In two to five years	19,236	-	-	8,875
Over five years	-	-	28,511	-
	19,236	7,471	41,311	15,951

## 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 £157,342 (2011 - £157,376). There were no outstanding contributions at the year-end (2011 - 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 2012 (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 2012 is £303,945 (2011 - £344,782). The portion of that expense arising from stock options is a credit of £8,737 (2011 - debit of £399). Restricted share units is £312,682 (2011 - £344,383)

#### Stock options

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

	2012 No.	2012 WAEP	2011 No	2011 WAEP
Outstanding as at 1 July <sup>1</sup>	79,635	£28.45 <sup>1</sup>	119,526	£28.36 <sup>1</sup>
Forfeited during the year	(509)	£32.91	(234)	£25.28
Exercised	(27,186)	£27.15 <sup>2</sup>	(26,701)	£21.05 <sup>3</sup>
Expired/adjusted during the year	(7,532)	£29.92	(12,956)	£27.93
Transfer/adjusted during the year	(3,385)	£30.01	-	
Outstanding at 30 June <sup>1</sup>	41,023	£29.95	79,635	£28.45
Exercisable at 30 June	41,023	£29.95	79,635	£28.45

<sup>1</sup> Included within this balance are options over 8,826 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 FRS 20

<sup>2</sup> The weighted average share price at the date of exercise for the options exercised is £32.56

<sup>3</sup> The weighted average share price at the date of exercise for the options exercised is £26.44

For the share options outstanding as at 30 June 2012, the weighted average remaining contractual life is 1.4 years (2011 2.2 years)

No options were granted in the years ended 30 June 2012 and 2011. The range of exercise prices for options outstanding at the end of the year was £22.20 - £37.21 (2011 £18.30 - £36.27)

# KLA-Tencor Limited

Notes forming part of the financial statements  
for the year ended 30 June 2012 (continued)

## 19 Share based payments (continued)

### Restricted Stock Units (RSU's)

The following table illustrates the number of, and movements in, restricted stock units during the year

	2012 No	2011 No.
Outstanding as at 1 July	49,825 <sup>1</sup>	49,873 <sup>1</sup>
Granted during the year	14,810	14,448
Forfeited during the year	(429)	-
Vested/released	(17,530) <sup>2</sup>	(14,496) <sup>3</sup>
Transferred/adjusted during the year	(1,246)	-
	<hr/>	<hr/>
Outstanding at 30 June	45,430	49,825
	<hr/>	<hr/>
Unvested at 30 June	45,430	49,825
	<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 £27.09

<sup>3</sup> The weighted average share price at the date of release for the awards is £21.28

For the restricted stock units outstanding as at 30 June 2012, the weighted average remaining contractual life is 2.0 years (2011: 2.1 years)

The weighted average fair value of RSUs granted during the year was £22.38 (2011: £18.74)

### 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.

There are no cash settled options as at 30 June 2012 (2011: Nil)

# **KLA-Tencor Limited**

## **Notes forming part of the financial statements for the year ended 30 June 2012 (*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 2012. 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**

KLA-Tencor (Service) Ltd, a subsidiary of KLA-Tencor Ltd, was voluntarily struck-off the Register of Companies on 16<sup>th</sup> October 2012 at the request of the Directors. The company had been dormant for 8 years having no assets, liabilities, employees or trade debtors.