

## REGISTRAR'S COPY

COMPANY

NUMBER: 1560324

### KLA-Tencor Limited

Report and Financial Statements

Year Ended

30 June 2009



\*EQU2D00D\*

EDX

7/5/11

605

COMPANIES HOUSE

118 11-5-11

# **KLA-Tencor Limited**

**Report and financial statements  
for the year ended 30 June 2009**

---

## **Contents**

### **Page**

1	Report of the directors
4	Independent auditor's report
6	Profit and loss account
7	Statement of total recognised gains and losses
8	Balance sheet
9	Notes forming part of the financial statements

---

## **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 2009

---

The directors present their report together with the audited financial statements for the year ended 30 June 2009

### 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 £2,717,810 for the year (2008 - £3,188,238 (restated)) and sales of £33,227,520 (2008 - £40,152,026 (restated)). The company had cash of £5,136,493 at 30 June 2009 (2008 - £6,122,657).

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 linewidth 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 Ltd 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 KLA-Tencor Corporation by the 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 2009 (continued)**

---

### **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.

### **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 (2008 - 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 2009 (*continued*)**

---

### **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.

BDO LLP we appointed as auditors during the period and have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the next annual general meeting.

### **On behalf of the Board**



Virendra Kirloskar  
**Director**

Date

29/4/11

# **KLA-Tencor Limited**

## **Independent auditor's report**

---

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KLA-TENCOR LIMITED**

We have audited the financial statements of KLA-Tencor Limited for the year ended 30 June 2009 which comprise the profit and loss account, the statement of total recognised gains and losses, 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).

#### **Basis for qualified opinion on financial statements**

With respect to cost of sales having a value of £30,701,374 and stock having a carrying value of £11,765,785 the audit evidence available to us was limited because the supporting transaction records and IT systems are located overseas and we were unable to gain access to those records and systems. Owing to the nature of the company's records, we were unable to obtain sufficient appropriate audit evidence regarding completeness of cost of sales or of the carrying value of stock by using other audit procedures.

#### **Qualified opinion on financial statements arising from limitation in audit scope**

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2009 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*)

---

### Matters on which we are required to report by exception

In respect solely of the limitation on our work relating to cost of sales and stock, described above

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit, and
- we were unable to determine whether adequate accounting records had been kept

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

- 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

*BDO LLP*

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

Date *5 May 2011*

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 2009

	Note	2009 £	Restated 2008 £
Turnover	2	33,227,520	40,152,026
Cost of sales		(30,701,374)	(36,021,794)
<b>Gross profit</b>		<b>2,526,146</b>	<b>4,130,232</b>
Administrative expenses		118,906	(1,093,924)
<b>Operating profit</b>	3	<b>2,645,052</b>	<b>3,036,308</b>
Other interest receivable and similar income		81,377	159,880
Interest payable and similar charges	6	(8,619)	(7,950)
<b>Profit on ordinary activities before taxation</b>		<b>2,717,810</b>	<b>3,188,238</b>
Taxation on profit from ordinary activities	7	(790,550)	(844,658)
<b>Profit on ordinary activities after taxation</b>	17	<b>1,927,260</b>	<b>2,343,580</b>

All amounts relate to continuing activities

The notes on pages 9 to 21 form part of these financial statements



# KLA-Tencor Limited

## Statement of total recognised gains and losses for the year ended 30 June 2009

	Note	2009 £	As Restated 2008 £
<b>Statement of total recognised gains and losses</b>			
Profit for the financial year		<u>1,927,260</u>	<u>2,343,580</u>
Total recognised gains relating to the year		1,927,260	<u>2,343,580</u>
Prior year adjustment	23	<u>633,784</u>	
Total recognised gains since last financial statements		<u>2,561,044</u>	

The notes on pages 9 to 21 form part of these financial statements

# KLA-Tencor Limited

## Balance sheet at 30 June 2009

Company number 1560324

	Note	2009 £	2009 £	Restated 2008 £	Restated 2008 £
<b>Fixed assets</b>					
Tangible assets	8		135,688		268,721
Investments	9		1,517,521		1,527,521
<b>Current assets</b>					
Stocks	10	11,765,785		11,523,352	
Debtors	11	3,657,190		4,589,239	
Cash at bank and in hand		5,136,494		6,122,657	
		20,559,469		22,235,248	
<b>Creditors amounts falling due within one year</b>	12	(3,377,410)		(6,891,507)	
<b>Net current assets</b>			17,182,059		15,343,741
<b>Total assets less current liabilities</b>			18,835,268		17,139,983
<b>Creditors amounts falling due after more than one year</b>	13		(83,134)		(75,159)
<b>Provisions for liabilities</b>	15		(240,809)		(375,603)
<b>Net assets</b>			18,511,325		16,689,221
<b>Capital and reserves</b>					
Called up share capital	16		186,500		186,500
Capital contribution	17		7,500,000		7,500,000
Profit and loss account	17		10,824,825		9,002,721
<b>Shareholders' funds</b>	18		18,511,325		16,689,221

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

  
Virendra Kirloskar  
Director

29/4/11

The notes on pages 9 to 21 form part of these financial statements

# KLA-Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2009

### 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

#### *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 is fixed or determinable
- (iv) The collection of the fees is probable

Income earned from after-sales of 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 less additional costs to completion and disposal

#### *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 2009 (*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

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

#### *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*

FRS 8, 'Related Party Disclosures', requires the disclosure of the details of material transactions between the reporting entity and any related parties. However, transactions between the company and other group companies have not been disclosed in accordance with the exemption in FRS 8

#### *Cash flow*

The company has adopted the provisions of FRS 1 (revised) 'Cash flow statements' in these financial statements, and has taken advantage of the exemptions for subsidiary companies contained therein. Accordingly a cash flow statement has not been included in these financial statements

# KLA-Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2009 (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. Expected future cash flows are discounted by an annual rate of 7.5%. Provision is also made against the value of the tangible fixed assets relating to the vacant leasehold properties.

#### *Share based payment*

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 reserve (representing a capital contribution by the parent). 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 income statement, 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 relevant capital contribution, 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:

	2009 £	Restated 2008 £
United Kingdom	2,370,751	2,921,325
Rest of Europe	14,495,311	17,589,626
United States of America	13,946,573	18,510,053
Asia	2,414,885	1,131,022
	<u>33,227,520</u>	<u>40,152,026</u>

### 3 Operating profit

	2009 £	Restated 2008 £
Services provided by the company's auditor		
Fees payable for the audit	78,000	56,700
Fees payable for other services - tax compliance	11,500	39,876
Depreciation of tangible owned fixed assets	15,666	79,426
Depreciation of fixed assets held under finance leases	92,185	56,000
(Profit)/loss on disposal of tangible fixed assets	(1,450)	8,850
Operating lease charges - other leases	83,378	336,511
Exchange loss/(gain) arising on translation of foreign currencies	<u>(1,208,615)</u>	<u>(2,088,610)</u>

# KLA-Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2009 (Continued)

### 4 Wages and salaries

	2009 £	Restated 2008 £
Staff costs (including directors) consist of		
Wages and salaries (including directors' remuneration)	2,574,284	3,283,650
Social security costs	287,617	493,241
Share based payment – fair value of employee services (note 21)	157,431	158,604
Pension costs (note 20)	159,460	119,032
	<u>3,178,792</u>	<u>4,054,527</u>

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

	2009	2008
Engineering and servicing	28	30
Selling and distribution	7	9
Administration	9	10
	<u>44</u>	<u>49</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

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.

Retirement benefits are accruing to Nil (2008 - Nil) directors under defined contribution pension schemes.

### 6 Interest payable and similar charges

	2009 £	2008 £
Interest payable	<u>8,619</u>	<u>7,950</u>

# KLA-Tencor Limited

Notes forming part of the financial statements  
for the year ended 30 June 2009 (*Continued*)

## 7 Taxation on profit from ordinary activities

	2009 £	2008 £
<i>Current tax</i>		
UK corporation tax at 28% (2008 – 29.5%)	785,782	718,086
Double tax relief	(79,092)	-
Overseas tax	79,092	-
Adjustment in respect of prior years	27,942	108,480
	<hr/>	<hr/>
Total current tax	813,724	826,566
<i>Deferred tax</i>		
Origination and reversal of timing differences	(23,174)	18,092
	<hr/>	<hr/>
Total deferred tax	(23,174)	18,092
	<hr/>	<hr/>
Taxation on profit on ordinary activities	790,550	844,658
	<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

	2009 £	Restated 2008 £
Profit on ordinary activities before tax	2,717,810	3,188,238
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 28% (2008 – 29.5%)	760,987	940,530
Effects of		
Expenses not deductible for tax purposes	54,372	207,269
Share based payments	(4,386)	(223,686)
Accelerated capital allowances	(25,191)	(19,061)
Adjustment in respect of 2008 – not accounted for in prior year tax calculation	-	(186,966)
Adjustments to tax charge in respect of previous period	27,942	108,480
	<hr/>	<hr/>
Current tax charge for year	813,724	826,566
	<hr/>	<hr/>

# KLA-Tencor Limited

Notes forming part of the financial statements  
for the year ended 30 June 2009 (Continued)

## 8 Tangible fixed assets

	Leasehold improvements £	Plant, machinery and motor vehicles £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>				
At 1 July 2008	46,872	859,445	20,019	926,336
Additions	-	5,381	-	5,381
Disposals	-	(108,508)	-	(108,508)
At 30 June 2009	<b>46,872</b>	<b>756,318</b>	<b>20,019</b>	<b>823,209</b>
<i>Depreciation</i>				
At 1 July 2008	14,078	630,949	12,588	657,615
Provided for the year	4,818	101,489	1,544	107,851
Disposals	-	(77,945)	-	(77,945)
At 30 June 2009	<b>18,896</b>	<b>654,493</b>	<b>14,132</b>	<b>687,521</b>
<i>Net book value</i>				
At 30 June 2009	<b>27,976</b>	<b>101,825</b>	<b>5,887</b>	<b>135,688</b>
At 30 June 2008	32,794	228,496	7,431	268,721

The net book value of fixed assets includes an amount of £84,876 (2008 - £187,000) within equipment and motor vehicles in respect of assets held under finance leases

## 9 Investments

	£
At 1 July 2008 - Restated	1,527,521
Impairment	(10,000)
At 30 June 2009	<b>1,517,521</b>

Investments represent the Company's interest in its wholly owned subsidiary undertaking, KLA Tencor (Service) Limited, a company registered in England and Wales, and KLA Tencor Ireland Limited, a company registered in Ireland

The investment in the wholly owned subsidiary undertaking, KLA Tencor (Service) Limited, a company registered in England and Wales, has been impaired during the year, due to the entity being dormant, with no plans to trade in the future

Subsidiary undertaking	Nature of business	% Ordinary shares and voting rights	Country of registration
KLA-Tencor (Service) Limited	Non-trading	100	United Kingdom
KLA-Tencor Ireland Limited	Trading	100	Ireland



# KLA-Tencor Limited

Notes forming part of the financial statements  
for the year ended 30 June 2009 (Continued)

## 9 Investments (Continued)

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

Subsidiary undertaking	Period ended	Profit/(loss) for the period	Capital and reserves
KLA-Tencor (Service) Limited	30 June 2009	-	-
KLA-Tencor Ireland Limited	30 June 2009	€1,663,131	€5,632,722

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

## 10 Stocks

	2009 £	Restated 2008 £
Raw materials and consumables	11,765,785	11,523,352

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

## 11 Debtors

	2009 £	Restated 2008 £
Trade debtors	662,400	1,063,113
Amounts owed by group undertakings	2,572,083	3,065,384
Other debtors and prepayments	323,006	384,215
Deferred tax (see note 15)	99,701	76,527
	<b>3,657,190</b>	<b>4,589,239</b>

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

## 12 Creditors: amounts falling due within one year

	2009 £	Restated 2008 £
Trade creditors	220,237	182,908
Amounts owed to group undertakings	1,643,316	4,869,094
Other taxation and social security	186,615	88,342
Accruals and other creditors	251,707	1,015,193
Finance lease obligations	8,405	94,213
Corporation tax	1,050,204	631,025
Deferred income	16,927	10,732
	<b>3,377,411</b>	<b>6,891,507</b>

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 2009 (Continued)

## 13 Creditors, amounts falling due after more than one year

	2009 £	2008 £
Finance lease obligations	83,134	75,159

## 14 Finance leases

Future minimum payments under finance leases are as follows

	2009 £	2008 £
Within one year	8,405	94,213
In more than one year, but not more than five years	83,134	75,159
	91,539	169,372

## 15 Provisions for liabilities

	Dilapidations provision £	Onerous lease £	Total £
At 1 July 2008	102,528	273,075	375,603
Utilised in year	(35,950)	(98,844)	(134,794)
At 30 June 2009	66,578	174,231	240,809

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. In determining the provision the expected cash flows have been discounted by an annual rate of 7.5%.

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 2009 (Continued)

## 15 Provisions for liabilities (Continued)

Deferred tax asset provided at year-end comprises

	2009 £	2008 £
Accelerated capital allowances	99,701	76,527
1 July 2008	76,527	94,619
Deferred tax in the profit and loss account (note 7)	23,174	(18,092)
30 June 2009	99,701	76,527

There is no deferred tax liability. The deferred tax asset has been recognised within debtors (see note 11)

## 16 Called-up share capital

	2009 £	2008 £
<i>Allotted called-up and fully paid</i> 186,500 ordinary shares of £1 each	186,500	186,500

## 17 Reserves

	Capital contribution £	Profit and loss account £
At 1 July 2008 - Restated	7,500,000	9,002,721
Profit for the financial year	-	1,927,260
Share based payment – distribution	-	(105,156)
At 30 June 2009	7,500,000	10,824,825

# KLA-Tencor Limited

Notes forming part of the financial statements  
for the year ended 30 June 2009 (Continued)

## 18 Reconciliation of movements in shareholders' funds

	2009 £	Restated 2008 £
Profit for the year	1,927,260	2,343,580
Share based payment – services provided	157,431	119,032
Share based payment – recharge from ultimate parent	(157,431)	(119,032)
Share based payment – distribution	(105,156)	(855,922)
	<hr/>	<hr/>
Net increase in equity shareholders' funds	1,822,104	1,487,658
Opening shareholders' funds	16,689,221	15,201,563
	<hr/>	<hr/>
Closing shareholders' funds	18,511,325	16,689,221
	<hr/>	<hr/>

## 19 Financial commitments

At 30 June 2009 the company had annual commitments under non-cancellable operating leases as follows

	2009 Land and buildings £	2009 Plant and machinery £	2008 Land and buildings £	2008 Plant and machinery £
Operating leases which expire				
Within one year	84,630	-	6,381	-
In two to five years	69,350	23,507	38,400	-
Over five years	5,100	-	158,122	-
	<hr/>	<hr/>	<hr/>	<hr/>
	159,080	23,507	202,903	-
	<hr/>	<hr/>	<hr/>	<hr/>

## 20 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 group in independently administered funds. The pension cost charge includes contributions payable by the company to these funds and amounted to £159,460 (2008 - £178,647). There were Nil outstanding contributions at the year-end (2008 - Nil).

## 21 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 2009 (Continued)

### 21 Share based payments (Continued)

Since 1 July 2006, the Company has granted only restricted stock units under its equity incentive program, except for options granted to non-employee directors as part of their regular compensation package for service for the year ended 30 June 2008

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 2009 is £157,431 (2008 - £119,032). The portion of that expense arising from restricted share units is £236,034 (2008 - £86,155)

#### Stock options

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

	2009 No	2009 WAEP	2008 No	2008 WAEP
Outstanding as at 1 July <sup>1</sup>	143,180	£21.13 <sup>1</sup>	246,206	£19.96 <sup>1</sup>
Forfeited during the year	(12,771)	£22.65	(21,667)	£23.53
Exercised	(4,335)	£9.67 <sup>2</sup>	(81,359)	£17.19 <sup>3</sup>
Expired/adjusted during the year	(1,794)	£18.47 <sup>4</sup>	-	-
Outstanding at 30 June <sup>1</sup>	124,280	6.53	143,180	£21.13
Exercisable at 30 June <sup>1</sup>	115,110	£7.06	120,165	£20.97

<sup>1</sup> Included within this balance are options over 41,913 (2008 48,667) 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 £15.00

<sup>3</sup> The weighted average share price at the date of exercise for the options exercised is £20.68

<sup>4</sup> Transferred out of UK

For the share options outstanding as at 30 June 2009, the weighted average remaining contractual life is 4.18 years (2008 5.41 years)

No options were granted in the years ended 30 June 2009 and 2008. The range of exercise prices for options outstanding at the end of the year was £13.10 - £29.00 (2008 £5.33 - £29.12)

# KLA-Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2009 (Continued)

### 21 Share based payments (Continued)

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

	2009 No	2009 WAEP	2008 No.	2008 WAEP
Outstanding as at 1 July	31,889	N/A <sup>1</sup>	21,171	N/A <sup>1</sup>
Granted during the year	13,143	\$0.00	18,368	\$0.00
Forfeited during the year	(845)	\$0.00	(7,550)	\$0.00
Vested/released	(8,302)	N/A <sup>2</sup>	-	N/A <sup>3</sup>
	<hr/>		<hr/>	
Outstanding at 30 June	35,885	\$0.00	31,989	N/A
	<hr/>		<hr/>	
Unvested at 30 June	35,885	N/A	31,989	N/A
	<hr/>		<hr/>	

<sup>1</sup> There are no RSUs over shares included within this balance what 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 £17.04

<sup>3</sup> No RSUs have been released to date so the weighted average share price at the date of release for the awards is £Nil

For the restricted stock units outstanding as at 30 June 2009, the weighted average remaining contractual life is 2.5 years (2008: 2.8 years)

The weighted average fair value of RSUs granted during the year was £9.71 (2008: £24.30). 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 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.

Except for options granted to non-employee directors as part of their regular compensation package for service through the end of the first quarter of fiscal year 2008, the company has granted only restricted stock units under its equity incentive program since August 1, 2006. Therefore, no comparative information is presented in the table below for the fiscal year ended June 30, 2009. The following table shows the weighted-average assumptions used in the Black-Scholes valuation model.

	2009	2008
Expected stock price volatility		34%
Risk free interest rate		4.4%
Dividend yield		1.0%
Expected life of options (in years)		4.7%
Weighted average share price		(*)

(\* The company did not issue any stock options during the fiscal year ended June 30, 2009)

There are no cash settled options as at 30 June 2009

# **KLA-Tencor Limited**

## **Notes forming part of the financial statements for the year ended 30 June 2009 (*Continued*)**

---

### **22 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 2009. Copies of the group financial statements may be obtained from 160 Rio Robles, PO Box 49055, San Jose, CA95161-9055.

### **23 Prior year adjustments**

The prior year adjustment, a debit to reserves amounting to £633,784, is the correction of a profit in stock adjustment that was made in the year ended 30 June 2009.

Further, during year ended 30 June 2008, an intercompany balance between KLA-Tencor Limited and KLA-Tencor Ireland Limited was waived. This waiver was not accounted for in the financial statements for that period. This has therefore been accounted for as a prior period adjustment resulting in an increased investment in KLA-Tencor Ireland Limited of £1,482,847. This prior year adjustment has no impact on the profit for either year ended 30 June 2008 or 30 June 2009.