

KLA – Tencor Limited

Report and Financial Statements

Year Ended

30 June 2016

Company Number 1560324

SATURDAY



A61HG3BD

A13

04/03/2017

#90

COMPANIES HOUSE

KLA - Tencor Limited

Report and financial statements for the year ended 30 June 2016

Contents

Page:

1	Strategic report
3	Report of the directors
5	Independent auditor's report
7	Statement of comprehensive income
8	Balance sheet
9	Statement of changes in equity
10	Notes forming part of the financial statements

Directors

V A Kirloskar
B D Higgins

Secretary and registered office

Abogado Nominees Limited, 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

Strategic report for the year ended 30 June 2016

The directors present their strategic report together with the audited financial statements for the year ended 30 June 2016.

Results and dividends

The statement of comprehensive income for the year is set out on page 7. The directors have not recommended the payment of a dividend (2015 - None).

Key Performance Indicators

The directors consider the key financial performance indicators of the company to be sales, profit before tax and the cash position. These have been reviewed below as part of the business review.

Business review

The results for the UK company show a pre-tax profit of £3,831,047 (2015 – pre-tax loss of £1,354,245) with sales of £50,942,354 (2015 - £48,819,318). The company had cash of £1,604,799 at 30 June 2016 (2015 - £1,725,416).

The principal activities and trading environment of KLA-Tencor Limited remain the same as in prior years. 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.

KLA-Tencor's group strategy is to maximize its position in the market. As a service provider, the strategy is to maximize 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.

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

Principal risks and uncertainties

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

- Foreign exchange movement;
- Cyclical nature of the semi-conductor market;
- Global economic uncertainty;
- Competitive pressure;
- Our customers' acceptance and adoption of the new products and technologies; and
- 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.

KLA - Tencor Limited

Strategic report
for the year ended 30 June 2016 (*continued*)

Approval

This strategic report was approved on behalf of the Board on


V A Karloskar

Director

Date Feb 12th 2017

KLA - Tencor Limited

Report of the directors for the year ended 30 June 2016

The directors present their report together with the audited financial statements for the year ended 30 June 2016.

The strategic report includes details of the principal risks and uncertainties, key performance indicators and the summary of the 2016 performance.

Principal activities

The KLA-Tencor group is a world leader in yield management and process control solutions for the semiconductor 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.

Directors

The directors of the company during the year were:

V A Kirloskar
B Martin (resigned 25 September 2015)
B Higgins (appointed 25 September 2015)

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have 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 2016 (*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.

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. S. Kirloskar

Director

Date Feb 12th 2017

KLA - Tencor Limited

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 2016 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity 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 Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2016 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 strategic report and 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

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.



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

Date *22 February 2017* .

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

KLA - Tencor Limited

Statement of comprehensive income for the year ended 30 June 2016

	Note	2016 £	2015 £
Turnover	3	50,942,354	48,819,318
Cost of sales		(46,546,105)	(44,914,370)
Gross profit		4,396,249	3,904,948
Administrative expenses		(3,233,778)	(3,565,140)
Foreign exchange gain/(loss)		2,674,605	(1,696,038)
Total administrative expenses		(559,173)	(5,261,178)
Operating profit/(loss)	4	3,837,076	(1,356,230)
Other interest receivable and similar income		108	1,985
Interest payable and similar charges		(6,137)	-
Profit/(loss) on ordinary activities before taxation		3,831,047	(1,354,245)
Taxation on profit/loss from ordinary activities	7	(707,844)	243,377
Profit/(loss) on ordinary activities after taxation		3,123,203	(1,110,868)
Total comprehensive income/(loss) for year		3,123,203	(1,110,868)

All amounts relate to continuing activities.

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

The notes on pages 10 to 21 form part of these financial statements.

KLA - Tencor Limited

Balance sheet at 30 June 2016

Company number 1560324	Note	2016 £	2016 £	2015 £	2015 £
Fixed assets					
Tangible assets	8		167,183		251,549
Investments	9		1,517,521		1,517,521
			<hr/>		<hr/>
			1,684,704		1,769,070
Current assets					
Stocks	10	20,380,866		15,403,292	
Debtors	11	2,666,520		21,992,030	
Cash at bank and in hand		1,604,799		1,725,416	
		<hr/>		<hr/>	
		24,652,185		39,120,738	
Creditors: amounts falling due within one year	12	(6,221,573)		(23,708,087)	
		<hr/>		<hr/>	
Net current assets			18,430,612		15,412,651
			<hr/>		<hr/>
Total assets less current liabilities			20,115,316		17,181,721
			<hr/>		<hr/>
Provisions for liabilities	13		(47,889)		(47,889)
			<hr/>		<hr/>
Net assets			20,067,427		17,133,832
			<hr/>		<hr/>
Capital and reserves					
Called up share capital	15	186,500		186,500	
Capital contribution		7,500,000		7,500,000	
Profit and loss account		12,380,927		9,447,332	
		<hr/>		<hr/>	
Equity attributable to owner			20,067,427		17,133,832
			<hr/>		<hr/>

The financial statements were approved by the Board of Directors and authorised for issue on **Feb 12th 2017**


V A Kirloskar
Director

The notes on pages 10 to 21 form part of these financial statements.

KLA - Tencor Limited

Statement of changes in equity for the year ended 30 June 2016

	Called up share capital £	Capital contribution £	Profit and loss account £	Total equity £
At 1 July 2014	186,500	7,500,000	10,874,094	18,560,594
Loss and total comprehensive loss for the year	-	-	(1,110,868)	(1,110,868)
Contributions by and distributions to owners				
Share based payment	-	-	146,656	146,656
Intercompany recharge – share based payment	-	-	(462,550)	(462,550)
Total contributions by and distributions to owners		-	(315,894)	(315,894)
At 30 June 2015	186,500	7,500,000	9,447,332	17,133,832
Profit and total comprehensive income for the year	-	-	3,123,203	3,123,203
Contributions by and distributions to owners				
Share based payment	-	-	161,230	161,230
Intercompany recharge – share based payment	-	-	(350,838)	(350,838)
Total contributions by and distributions to owners	-	-	2,933,595	2,933,595
30 June 2016	186,500	7,500,000	12,380,927	20,067,427

The notes on pages 10 to 21 form part of these financial statements.

KLA - Tencor Limited

Notes forming part of the financial statements for the year ended 30 June 2016

1 Accounting policies

KLA - Tencor Limited is a company incorporated in England & Wales under the Companies Act. The address of the registered office is given on the contents page and the nature of the company's operations and its principal activities are set out in the directors report. The financial statements have been prepared in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland.

These financial statements are the first financial statements prepared under FRS 102 and information on the impact of first-time adoption of FRS 102 is given in note 20.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the company's accounting policies.

The following principal accounting policies have been applied:

Going concern

The directors have considered the cash flow requirements for the group for a period including twelve months from the date of approval of these financial statements. Based on these projections, the directors consider the company will have sufficient cash resources during this period to pay all of its liabilities as they fall due and therefore consider it appropriate to continue to prepare the accounts on a going concern basis.

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 for qualifying entities:

- Section 3 Financial Statement Presentation paragraph 3.17(d) and Section 7 Statement of Cash Flows not to prepare a statement of cash flows;
- Section 4 Statement of Financial Position paragraph 4.12(a) iv) not to prepare a reconciliation of the numbers of shares outstanding at the beginning and end of the year;
- Section 11 Basic Financial Instruments paragraphs 11.41(b) and 11.41(e) not to disclose financial assets and financial liabilities of amortised cost;
- Section 26 Share based payments paragraphs 26.18(b), 26.19-26.21 and 26.23 not to disclose information available in the consolidated financial statements of the parent; and
- Section 33 Related Party Disclosures paragraph 33.7 not to disclose key management personnel compensation in total.

Consolidated financial statements

The company is exempt under section 401 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. These financial statements therefore present information about the company and not about its group.

KLA - Tencor Limited

Notes forming part of the financial statements for the year ended 30 June 2016 (*continued*)

1 Accounting policies (*continued*)

Turnover

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

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

Turnover 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; and
- (iv) The collection of the fees is probable.

Turnover 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	-	Lesser of 15 years or remaining period of lease
Plant, machinery and motor vehicles	-	2 - 5 years
Fixtures, fittings and equipment	-	2 - 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.

Investments

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

Operating leases

Operating lease rentals are charged to the profit or loss on a straight-line basis over the term of the lease.

KLA - Tencor Limited

Notes forming part of the financial statements for the year ended 30 June 2016 (continued)

1 Accounting policies (continued)

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.

Provisions

The company recognises a provision where a legal or constructive obligation exists at the balance sheet date and a reliable estimate can be made of the likely outcome.

Pension costs

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

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. 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.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

Reserves

The company's reserves are as follows:

- Called up share capital reserve represents the nominal value of the shares issued;
- Capital contribution reserve represents contributions to the companies permanent capital which are not regarded as returnable;
- Profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

KLA - Tencor Limited

Notes forming part of the financial statements for the year ended 30 June 2016 (*continued*)

1 Accounting policies (*continued*)

Financial instruments

The company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade debtors and trade creditors.

Financial assets are initially measured at transaction price (including transaction costs) and subsequently held at cost, less any impairment.

Financial liabilities and equity are classified according to the substance of the financial instruments contractual obligation, rather than the financial instruments legal form. Financial liabilities are initially measured at transaction price (including transaction costs) and subsequently held at amortised cost.

2 Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have made the following judgements:

- *Leases (see note 16)*

Determine whether leases entered into by the company are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease-by-lease basis.

- *Tangible fixed assets (see note 8)*

Tangible fixed assets are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- *Trade debtors impairment loss (see note 11)*

Trade debtors are reviewed for impairment loss on an annual basis and provision made for any balances where there is uncertainty against the recoverability of the balance. This methodology is applied on a customer-by-customer basis.

Other key sources of estimation uncertainty

- *Stock amortisation (see note 10)*

The foreign exchange values held in stock at year end are amortised over the average stock turnover period in line with KLA-Tencor's Corporate Policy. The resulting calculation is assessed for reasonableness against changes in exchange rate throughout the year, the stock value held at the balance sheet date and the individual details of some of the highest value parts. This represents the director's best estimate of removing foreign exchange values from year end stock.

KLA - Tencor Limited

Notes forming part of the financial statements
for the year ended 30 June 2016 (continued)

3 Turnover

The geographical analysis of turnover by destination is as follows:

	2016 £	2015 £
United Kingdom	3,251,005	3,135,195
Rest of Europe	25,619,183	23,888,398
United States of America	17,851,626	19,759,424
Rest of world	4,220,540	2,036,301
	<u>50,942,354</u>	<u>48,819,318</u>

Analysis by class of business:

Field service sales	4,865,678	5,170,639
Application revenue	20,488	-
Intercompany sales	46,056,188	43,648,679
	<u>50,942,354</u>	<u>48,819,318</u>

4 Operating profit

	2016 £	2015 £
This is arrived after charging/(crediting):		
Services provided by the company's auditor:		
- fees payable for the audit	41,400	41,000
- fees payable for other services - tax compliance	9,000	9,000
- all other services	2,650	2,650
Depreciation of tangible owned fixed assets	103,517	108,233
Stock recognised as an expense	45,218,748	40,946,431
Share based payment	161,230	146,656
Operating lease charges:		
- land and buildings	48,411	18,167
- plant and machinery	1,135	4,932
Exchange gain/(loss) arising on translation of foreign currencies	2,674,605	(1,696,038)
	<u>2,674,605</u>	<u>(1,696,038)</u>

KLA - Tencor Limited

Notes forming part of the financial statements for the year ended 30 June 2016 (continued)

5 Wages and salaries

	2016 £	2015 £
Staff costs (including directors) consist of:		
Wages and salaries (including directors' remuneration)	2,277,296	3,144,781
Social security costs	350,470	430,690
Share based payment - fair value of employee services (note 18)	161,230	146,656
Pension costs (note 17)	457,187	376,744
	<u>3,246,183</u>	<u>4,098,871</u>
The average number of persons (including directors) employed by the company during the year was:	Number	Number
Engineering and servicing	19	20
Selling and distribution	3	4
Administration	8	10
	<u>30</u>	<u>34</u>

6 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.

No retirement benefits are accruing to directors (2015 - Nil) under defined contribution pension schemes.

KLA - Tencor Limited

Notes forming part of the financial statements for the year ended 30 June 2016 (continued)

7 Taxation on profit from ordinary activities

	2016 £	2015 £
<i>UK Corporation tax</i>		
Current tax on the profit/(loss) for the year	167,672	-
	<hr/>	<hr/>
	167,672	-
Double taxation relief	(146,748)	-
	<hr/>	<hr/>
	20,924	-
<i>Foreign tax</i>		
Current tax on foreign income for the year	162,736	87,253
	<hr/>	<hr/>
Total current tax	183,660	87,253
<i>Deferred tax</i>		
Origination and reversal of timing differences	472,397	(330,630)
Effect of tax rate change on opening balance	51,787	-
	<hr/>	<hr/>
Total deferred tax	524,184	(330,630)
	<hr/>	<hr/>
Taxation on profit on ordinary activities	707,844	(243,377)
	<hr/>	<hr/>

The tax assessed for the year is different from the standard rate of corporation tax in the UK. The differences are explained below:

	2016 £	2015 £
Profit/(loss) on ordinary activities before tax	3,831,047	(1,354,245)
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20.00% (2015 - 20.75%)	766,209	(281,015)
Effects of:		
Expenses not deductible for tax purposes	10,178	34,747
Fixed asset timing differences	2,201	2,240
Foreign tax	15,988	87,253
Adjustment to deferred tax rates	(702)	2,890
Other permanent differences	(91,631)	(85,664)
Income not taxable for tax purposes	(66)	(7,467)
Deferred tax not recognised	5,667	3,639
	<hr/>	<hr/>
Total tax charge for year	707,844	(243,377)
	<hr/>	<hr/>

KLA - Tencor Limited

Notes forming part of the financial statements
for the year ended 30 June 2016 (continued)

8 Tangible fixed assets

	Leasehold improvements £	Plant, machinery and motor vehicles £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>				
At 1 July 2015	103,357	399,801	44,282	547,440
Additions	9,370	9,781	-	19,151
Disposals	-	-	-	-
At 30 June 2016	112,727	409,582	44,282	566,591
<i>Depreciation</i>				
At 1 July 2015	39,275	237,425	19,191	295,891
Provided for the year	9,776	90,069	3,672	103,517
Disposals	-	-	-	-
At 30 June 2016	49,051	327,494	22,863	399,408
<i>Net book value</i>				
At 30 June 2016	63,676	82,088	21,419	167,183
At 30 June 2015	64,082	162,376	25,091	251,549

9 Investments

	£
At 1 July 2015 and at 30 June 2016	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 held a 100% holding in KLA-Tencor (Service) Limited, a previously dormant company registered in United Kingdom which was dissolved on 16 October 2012.

Subsidiary undertaking	Nature of business	% Ordinary shares and voting rights	Country of registration
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 2016 (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 year, and the profit or loss for that year.

Subsidiary undertaking	Year ended	Profit for the year €	Capital and reserves €
KLA - Tencor Ireland Limited	30 June 2016	549,796	4,927,168

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

10 Stocks

	2016 £	2015 £
Raw materials and consumables	20,380,866	15,403,292

11 Debtors

	2016 £	2015 £
Trade debtors	244,322	574,343
Amounts owed from group undertakings	2,307,771	20,834,995
Other debtors and prepayments	114,427	64,822
Deferred tax (see note 14)	-	517,870
	<u>2,666,520</u>	<u>21,992,030</u>

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

12 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	90,806	97,124
Amounts owed to group undertakings	4,566,171	21,712,721
Other taxation and social security	349,229	333,893
Accruals and other creditors	883,655	1,373,382
Deferred income	131,484	183,671
Corporation tax	193,914	7,296
Deferred tax (see note 14)	6,314	-
	<u>6,221,573</u>	<u>23,708,087</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 2016 (*continued*)

13 Provisions for liabilities

Dilapidations
provision
£

At 1 July 2015 and at 30 June 2016

47,889

14 Deferred tax

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.

Deferred tax asset provided at year-end comprises:

	2016 £	2015 £
Accelerated capital allowances	6,134	19,901
Short term timing differences	-	-
Losses and other deductions	-	(537,771)
	<u>6,134</u>	<u>(517,870)</u>
1 July 2015	(517,870)	(187,240)
Deferred tax in the profit and loss account	<u>524,184</u>	<u>(330,630)</u>
30 June 2016	<u>6,314</u>	<u>(517,870)</u>

There is no deferred tax asset. The deferred tax liability has been recognised within creditors (see note 12).

15 Called-up share capital

	2016 £	2015 £
<i>Allotted called-up and fully paid</i> 186,500 ordinary shares of £1 each	<u>186,500</u>	<u>186,500</u>

KLA - Tencor Limited

Notes forming part of the financial statements for the year ended 30 June 2016 (continued)

16 Financial commitments

The company had minimum lease payments under non-cancellable operating leases as set out below:

	2016 £	2015 £
Not later than 1 year	49,546	48,292
Later than 1 year and not later than 5 years	135,265	1,135
	<hr/>	<hr/>
Total	184,811	49,427
	<hr/>	<hr/>

17 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 £457,187 (2015 - £376,744). There were no outstanding contributions at the year-end (2015 - Nil).

18 Share based payments

On 18 October 2004, the 2004 Equity Incentive 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.

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.

The company has granted only restricted stock units under its equity incentive program since 1 August 2006. From 1 October 2012 no further grants have occurred on the equity incentive program. In replacement a new Long Term Incentive Policy was implemented in the year.

The expense recognised for share-based payments in respect of employee services received during the year is £161,230 (2015 - £146,656) relating to the issuance of restricted stock units.

19 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 2015. Copies of the group financial statements may be obtained from 160 Rio Robles, PO Box 49055, San Jose, CA95161-9055.



KLA - Tencor Limited

Notes forming part of the financial statements for the year ended 30 June 2016 (*continued*)

20 First time adoption of FRS 102

This is the first year that the company has prepared its financial statement in accordance with FRS 102, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland. The last financial statements, prepared in accordance with accounting standards previously applicable in the United Kingdom and the Republic of Ireland were for the year ended 30 June 2015. The date of transition to FRS 102 was 1 July 2014. There are no changes to previously reported profit or loss and equity between the previous accounting framework and FRS 102.