

## **KLA – Tencor Limited**

Report and Financial Statements

Year Ended

30 June 2017

Company Number 1560324



# **KLA - Tencor Limited**

## **Report and financial statements for the year ended 30 June 2017**

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### **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, Thames Tower, Level 12, Station Road, Reading, Berkshire, RG1 1LX

# **KLA - Tencor Limited**

## **Strategic report for the year ended 30 June 2017**

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The directors present their strategic report together with the audited financial statements for the year ended 30 June 2017.

### **Results & Dividends**

The statement of comprehensive income for the year is set out on page 8. The directors have not recommended the payment of a dividend (2016 - None).

### **Key Performance Indicators**

The directors consider the key financial performance indicators of the company to be turnover, 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 profit before tax of £2,135,379 (2016 - £3,831,047) with turnover of £61,664,097 (2016 - £50,942,354). The company had cash of £2,430,958 at 30 June 2017 (2016 - £1,604,799).

FY17 saw a noticeable growth in the service business environment, leading to increased revenue and increased costs for KLA Tencor. Corporate management will be keeping a close eye on this movement to ensure our business is maximised.

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.

### **Principle 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
- 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 2017 (*continued*)

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## Approval

This strategic report was approved on behalf of the Board on

  
V A Kirloskar

## Director

2/20/18  
Date

# **KLA - Tencor Limited**

## **Report of the directors for the year ended 30 June 2017**

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The directors present their report together with the audited financial statements for the year ended 30 June 2017.

The strategic report on pages 1 and 2 includes details of the principal risks and uncertainties, key performance indicators and the summary of the 2017 performance.

### **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, sales promotion services and sale of spare parts 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 D Higgins

### **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 2017 (*continued*)

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### Auditors

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

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

### On behalf of the Board



V A Kirloskar

### Director

2/20/18  
Date

# KLA - Tencor Limited

## Independent auditor's report

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

#### Opinion

We have audited the financial statements of KLA - Tencor Limited ("the Company") for the year ended 30 June 2017 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2017 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.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

# KLA - Tencor Limited

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

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### Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

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

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and Director's report.

We have nothing to report in respect of the following matters in relation to which 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.

### Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.



# KLA - Tencor Limited

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

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### Auditor's responsibilities for the audit of the financial statements

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.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



Simon Brooker (Senior Statutory Auditor)  
For and on behalf of BDO LLP, statutory auditor  
Reading  
United Kingdom

Date 27 February 2018

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 2017

	Note	2017 £	2016 £
<b>Turnover</b>	3	<b>61,664,097</b>	50,942,354
Cost of sales		<b>(57,224,151)</b>	(46,546,105)
<b>Gross profit</b>		<b>4,439,946</b>	4,396,249
Administrative expenses		<b>(3,488,350)</b>	(3,233,778)
Foreign exchange gain		<b>1,225,003</b>	2,674,605
Total administrative expenses		<b>(2,263,347)</b>	(559,173)
<b>Operating profit</b>	4	<b>2,176,599</b>	3,837,076
Other interest receivable and similar income		12	108
Interest payable and similar charges		<b>(41,232)</b>	(6,137)
<b>Profit on ordinary activities before taxation</b>		<b>2,135,379</b>	3,831,047
Taxation on profit from ordinary activities	7	<b>(448,088)</b>	(707,844)
<b>Profit for the financial year</b>		<b>1,687,291</b>	3,123,203
<b>Total comprehensive income for year</b>		<b>1,687,291</b>	3,123,203

All amounts relate to continuing activities.

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

The notes on pages 11 to 21 form part of these financial statements.

# KLA - Tencor Limited

## Balance sheet at 30 June 2017

<b>Company number 1560324</b>	<b>Note</b>	<b>2017 £</b>	<b>2017 £</b>	<b>2016 £</b>	<b>2016 £</b>
<b>Fixed assets</b>					
Tangible assets	8		121,631		167,183
Investments	9		1,517,521		1,517,521
			<u>1,639,152</u>		<u>1,684,704</u>
<b>Current assets</b>					
Stocks	10	22,125,672		20,380,866	
Debtors	11	6,369,156		2,666,520	
Cash at bank and in hand		2,430,958		1,604,799	
		<u>30,925,786</u>		<u>24,652,185</u>	
<b>Creditors: amounts falling due within one year</b>	12	(5,842,122)		(6,221,573)	
		<u></u>		<u></u>	
<b>Net current assets</b>			<u>25,083,664</u>		<u>18,430,612</u>
<b>Total assets less current liabilities</b>			<u>26,722,816</u>		<u>20,115,316</u>
<b>Creditors: amounts falling due after more than one year</b>	13		(5,000,000)		-
<b>Provisions for liabilities</b>	14		(47,889)		(47,889)
			<u></u>		<u></u>
<b>Net assets</b>			<u>21,674,927</u>		<u>20,067,427</u>
<b>Capital and reserves</b>					
Called-up share capital	16		186,500		186,500
Capital contribution			7,500,000		7,500,000
Profit and loss account			13,988,427		12,380,927
			<u></u>		<u></u>
<b>Equity attributable to owner</b>			<u>21,674,927</u>		<u>20,067,427</u>

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

  
V A Kinoskar  
Director

2/20/18

The notes on pages 11 to 21 form part of these financial statements.

# KLA - Tencor Limited

## Statement of changes in equity for the year ended 30 June 2017

	Called up share capital £	Capital contribution £	Profit and loss account £	Total equity £
<b>At 1 July 2015</b>	<b>186,500</b>	<b>7,500,000</b>	<b>9,447,332</b>	<b>17,133,832</b>
<b>Profit and total comprehensive income for the year</b>	-	-	<b>3,123,203</b>	<b>3,123,203</b>
<b>Contributions by and distributions to owners</b>				
Share based payment	-	-	161,230	161,230
Intercompany recharge – share based payment	-	-	(350,838)	(350,838)
<b>Total contributions by and distributions to owners</b>	-	-	<b>(189,608)</b>	<b>(189,608)</b>
<b>30 June 2016</b>	<b>186,500</b>	<b>7,500,000</b>	<b>12,380,927</b>	<b>20,067,427</b>
<b>Profit and total comprehensive income for the year</b>	-	-	<b>1,687,291</b>	<b>1,687,291</b>
<b>Contributions by and distributions to owners</b>				
Share based payment	-	-	180,883	180,883
Intercompany recharge – share based payment	-	-	(260,674)	(260,674)
<b>Total contributions by and distributions to owners</b>	-	-	<b>(79,791)</b>	<b>(79,791)</b>
<b>30 June 2017</b>	<b>186,500</b>	<b>7,500,000</b>	<b>13,988,427</b>	<b>21,674,927</b>

The notes on pages 11 to 21 form part of these financial statements.

# KLA - Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2017

### 1 Accounting policies

KLA - Tencor Limited is a private company limited by shares 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.

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 at least 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, as the information is disclosed within the KLA - Tencor Corporation financial statements:

- 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 2017 (*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 2017 (*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.

#### *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 account 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 2017 (*continued*)

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### 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 17)*

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.

#### *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 rates throughout the year, the stock value held at the balance sheet date and the individual ageing of some of the highest value parts. This represents the directors' 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 2017 (*continued*)

## 3 Turnover

The geographical analysis of turnover by destination is as follows:

	2017 £	2016 £
United Kingdom	2,365,976	3,251,005
Rest of Europe	29,700,970	25,619,183
United States of America	23,590,164	17,851,626
Rest of world	6,006,987	4,220,540
	<u>61,664,097</u>	<u>50,942,354</u>

Analysis by class of business:

Field service sales	4,606,445	4,865,678
Application revenue	27,534	20,488
Intercompany sales	57,030,118	46,056,188
	<u>61,664,097</u>	<u>50,942,354</u>

## 4 Operating profit

	2017 £	2016 £
This is arrived after charging:		
Services provided by the company's auditor:		
- fees payable for the audit	42,250	41,400
- fees payable for other services - tax compliance	9,000	9,000
- all other services	2,700	2,650
Depreciation of tangible owned fixed assets	59,667	103,517
Stock recognised as an expense	56,241,428	45,218,748
Share based payment	180,883	161,230
Operating lease charges:		
- land and buildings	48,991	48,411
- plant and machinery	2,869	1,135
Exchange gain arising on translation of foreign currencies	1,225,003	2,674,605
	<u></u>	<u></u>

# KLA - Tencor Limited

Notes forming part of the financial statements  
for the year ended 30 June 2017 (continued)

## 5 Wages and salaries

	2017 £	2016 £
Staff costs (including directors) consist of:		
Wages and salaries (including directors' remuneration)	2,436,882	2,277,296
Social security costs	535,791	350,470
Share based payment - fair value of employee services (note 19)	180,883	161,230
Pension costs (note 18)	248,149	457,187
	<u>3,401,705</u>	<u>3,246,183</u>
The average number of persons (including directors) employed by the company during the year was:	Number	Number
Engineering and servicing	18	19
Selling and distribution	2	3
Administration	7	8
	<u>27</u>	<u>30</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 (2016 - Nil) under defined contribution pension schemes.

# KLA - Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2017 (continued)

### 7 Taxation on profit from ordinary activities

	2017 £	2016 £
<i>UK Corporation tax</i>		
Current tax on the profit for the year	411,736	167,672
Adjustments to tax charge in respect of previous periods	(1,285)	-
	<u>410,451</u>	<u>167,672</u>
Double taxation relief	(127,967)	(146,748)
	<u>282,484</u>	<u>20,924</u>
<i>Foreign tax</i>		
Current tax on foreign income for the year	171,233	162,736
	<u>453,717</u>	<u>183,660</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(7,576)	472,397
Effect of tax rate change on opening balance	(486)	51,787
Adjustments to tax charge in respect of previous periods – deferred tax	2,433	-
	<u>(5,629)</u>	<u>524,184</u>
Total deferred tax		
	<u>448,088</u>	<u>707,844</u>
Taxation on profit on ordinary activities		

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

	2017 £	2016 £
Profit on ordinary activities before tax	2,135,379	3,831,047
Profit on ordinary activities at the standard rate of corporation tax in the UK of 19.75% (2016 - 20.00%)	421,737	766,209
Effects of:		
Expenses not deductible for tax purposes	38,575	10,178
Fixed asset timing differences	1,011	2,201
Foreign tax	43,266	15,988
Adjustment to deferred tax rates	740	(702)
Other permanent differences	(58,389)	(91,631)
Income not taxable for tax purposes	-	(66)
Deferred tax not recognised	-	5,667
Adjustments to tax charge in respect of previous periods	(1,285)	-
Adjustments to tax charge in respect of previous periods – deferred tax	2,433	-
	<u>448,088</u>	<u>707,844</u>
Total tax charge for year		

# KLA - Tencor Limited

Notes forming part of the financial statements  
for the year ended 30 June 2017 (continued)

## 8 Tangible fixed assets

	Leasehold improvements £	Plant, machinery and motor vehicles £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>				
At 1 July 2016	112,727	409,582	44,282	566,591
Additions	-	14,863	-	14,863
Disposals	-	(20,579)	-	(20,579)
At 30 June 2017	<b>112,727</b>	<b>403,866</b>	<b>44,282</b>	<b>560,875</b>
<i>Depreciation</i>				
At 1 July 2016	49,051	327,494	22,863	399,408
Provided for the year	10,096	45,899	3,672	59,667
Disposals	-	(19,831)	-	(19,831)
At 30 June 2017	<b>59,147</b>	<b>353,562</b>	<b>26,535</b>	<b>439,244</b>
<i>Net book value</i>				
At 30 June 2017	<b>53,580</b>	<b>50,304</b>	<b>17,747</b>	<b>121,631</b>
At 30 June 2016	63,676	82,088	21,419	167,183

## 9 Investments

At 1 July 2016 and at 30 June 2017	<b>£</b>
	<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.

Subsidiary undertaking	Nature of business	% Ordinary shares and voting rights	Country of registration
KLA - Tencor Ireland Limited	Trading - Providing maintenance services and sale of spare parts 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 2017 (continued)

### 9 Investments (continued)

The following table shows 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 2017	561,025	5,488,193

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

### 10 Stocks

	2017 £	2016 £
Raw materials and consumables	22,125,672	20,380,866

### 11 Debtors

	2017 £	2016 £
Trade debtors	360,633	244,322
Amounts owed from group undertakings	5,905,090	2,307,771
Other debtors and prepayments	103,433	114,427
	6,369,156	2,666,520

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

### 12 Creditors: amounts falling due within one year

	2017 £	2016 £
Trade creditors	157,904	90,806
Amounts owed to group undertakings	3,877,147	4,566,171
Corporation tax	434,230	193,914
Other taxation and social security	202,345	349,229
Accruals	969,237	883,655
Deferred income	200,574	131,484
Deferred tax (see note 15)	685	6,314
	5,842,122	6,221,573

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 2017 (*continued*)

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

	2017 £	2016 £
Intercompany loan	5,000,000	-

An intercompany loan is in place with KLA - Tencor Corporation Limited. Payment of the full amount is due on 1 June 2020. The loan bears interest at an annual rate of 1.59%. On 4 December 2017, an amendment was made to the loan agreement to increase the loan facility from £5 million to £10 million.

### 14 Provisions for liabilities

	Dilapidations provision £
At 1 July 2016 and at 30 June 2017	47,889

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.

### 15 Deferred tax

Deferred tax liability provided at year-end comprises:

	2017 £	2016 £
Accelerated capital allowances	4,471	6,314
Short term timing differences	(3,786)	-
	685	6,314
1 July 2016	6,314	(517,870)
Deferred tax in the profit and loss account	(5,629)	524,184
30 June 2017	685	6,314

The deferred tax liability has been recognised within creditors (see note 12).

### 16 Called-up share capital

	2017 £	2016 £
<i>Allotted called-up and fully paid</i> 186,500 ordinary shares of £1 each	186,500	186,500

# KLA - Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2017 (*continued*)

### 17 Financial commitments

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

	2017 £	2016 £
Not later than 1 year	53,452	49,546
Later than 1 year and not later than 5 years	96,916	135,265
Total	150,368	184,811

### 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 £248,149 (2016 - £457,187). There were no outstanding contributions at the year-end (2016 - Nil).

### 19 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 £180,883 (2016 - £161,230) relating to the issuance of restricted stock units.

### 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 2017. Copies of the group financial statements may be obtained from 160 Rio Robles, PO Box 49055, San Jose, CA95161-9055.