

Registrar's Copy

**KLA – Tencor Limited**

Annual Report and Financial Statements

Year Ended

30 June 2018

Registered Company Number 01560324

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# KLA - Tencor Limited

## Company Information

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<b>Directors</b>	V A Kirloskar B D Higgins
<b>Company secretary</b>	Abogado Nominees Limited
<b>Registered number</b>	01560324
<b>Registered office</b>	100 New Bridge Street London EC4V 6JA
<b>Independent auditor</b>	BDO LLP Thames Tower Station Road Reading Berkshire RG1 1LX

# KLA - Tencor Limited

## Contents

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	Page
<b>Strategic Report</b>	<b>1 - 2</b>
<b>Directors' Report</b>	<b>3</b>
<b>Directors' Responsibilities Statement</b>	<b>4</b>
<b>Independent Auditor's Report</b>	<b>5 - 7</b>
<b>Statement of Comprehensive Income</b>	<b>8</b>
<b>Balance Sheet</b>	<b>9</b>
<b>Statement of Changes in Equity</b>	<b>10</b>
<b>Notes to the Financial Statements</b>	<b>11 - 26</b>

# KLA - Tencor Limited

## Strategic Report For the Year Ended 30 June 2018

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The directors present their strategic report together with the audited financial statements for the year ended 30 June 2018.

### 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 (2017 - 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 £1,069,291 (2017 - £2,135,379) with turnover of £64,502,263 (2017 - £59,907,275). The company had cash of £6,250,063 at 30 June 2018 (2017 - £2,430,958).

FY18 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.

KLA has been pro-actively defensively planning for the potential outcomes of Brexit - being no deal, transitional deal or remain.

Authorised Economic Status (AEO) is currently being applied for by KLA - this accreditation will indicate that KLA's role in the supply chain is secure and reliable, there will not be any disruption to movement of goods and that all Customs controls and procedures are compliant. Based on an analysis of the customs duty costs in a post Brexit environment we are in the process of increasing our deferment guarantee levels associated with the potential increase in duty payments.

We have created a new position within our HR team and employed a European based Immigration specialist who is responsible for all work permit related topics.

KLA currently outsource our customs duty processing and we have no plans to change this post Brexit. We have spoken with our brokers and they can handle the increase in volume that we would see.

In terms of any risk of significant changes in the value of Sterling - there is only a modest likely impact on KLA as the nature of our trading provides a natural hedge against any such currency fluctuation.

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

# KLA - Tencor Limited

## Strategic Report (continued) For the Year Ended 30 June 2018

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### 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
- 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.

This report was approved by the board on

and signed on its behalf.



**V A Kirloskar**  
Director

# KLA - Tencor Limited

## Directors' Report For the Year Ended 30 June 2018

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The directors present their report together with the audited financial statements for the year ended 30 June 2018.

### 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.

### Business review

The strategic report on pages 1 and 2 includes details of the principal risks and uncertainties, key performance indicators and the summary of the 2018 performance.

### Results and dividends

The profit for the year, after taxation, amounted to £756,388 (2017 - £1,687,291).

The directors have not recommended the payment of a dividend (2017 - £Nil).

### Directors

The directors who served during the year were:

V A Kirloskar  
B D Higgins

### Disclosure of information to auditor

Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### Auditor

The auditor, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on

and signed on its behalf.

  
V A Kirloskar  
Director

# **KLA - Tencor Limited**

## **Directors' Responsibilities Statement For the Year Ended 30 June 2018**

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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**

## **Independent Auditor's Report to the Members of KLA - Tencor Limited**

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### **Opinion**

We have audited the financial statements of KLA - Tencor Limited ("the company") for the year ended 30 June 2018 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 2018 and of its profit for the year then ended; and
- 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 to the Members of KLA - Tencor Limited (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 the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the 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 or the directors' 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.

# KLA - Tencor Limited

## Independent Auditor's Report to the Members of KLA - Tencor Limited (continued)

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### 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 determine 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.

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

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 on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

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.

BDO LLP

Gavin Crawford (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Reading  
United Kingdom

22 March 2019

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 2018

	Note	2018 £	As restated 2017 £
Turnover	5	64,502,263	59,907,275
Cost of sales		(59,847,422)	(55,467,329)
<b>Gross profit</b>		<b>4,654,841</b>	<b>4,439,946</b>
Administrative expenses		(3,699,677)	(3,488,350)
Foreign exchange gain		203,102	1,225,003
<b>Operating profit</b>	6	<b>1,158,266</b>	<b>2,176,599</b>
Interest receivable and similar income	9	13,650	12
Interest payable and similar charges	10	(102,625)	(41,232)
<b>Profit before tax</b>		<b>1,069,291</b>	<b>2,135,379</b>
Tax on profit	11	(312,903)	(448,088)
<b>Profit for the financial year</b>		<b>756,388</b>	<b>1,687,291</b>

All amounts relate to continuing activities.

There were no recognised gains and losses for 2018 or 2017 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2018 (2017 - £Nil).

The notes on pages 11 to 26 form part of these financial statements.

**KLA - Tencor Limited**  
Registered number: 01560324

**Balance Sheet**  
**As at 30 June 2018**

	Note	2018 £	2018 £	As restated 2017 £	As restated 2017 £
<b>Fixed assets</b>					
Tangible assets	12		113,187		121,631
Investments	13		1,517,521		1,517,521
			<u>1,630,708</u>		<u>1,639,152</u>
<b>Current assets</b>					
Stocks	14	23,046,121		23,882,494	
Debtors: amounts falling due within one year	15	5,032,845		4,612,334	
Cash at bank and in hand		6,250,063		2,430,958	
		<u>34,329,029</u>		<u>30,925,786</u>	
Creditors: amounts falling due within one year	16	(6,680,585)		(5,842,122)	
<b>Net current assets</b>			<u>27,648,444</u>		<u>25,083,664</u>
<b>Total assets less current liabilities</b>			<u>29,279,152</u>		<u>26,722,816</u>
Creditors: amounts falling due after more than one year	17		(7,000,000)		(5,000,000)
<b>Provisions for liabilities</b>					
Provisions	19	(47,889)		(47,889)	
			<u>(47,889)</u>		<u>(47,889)</u>
<b>Net assets</b>			<u><u>22,231,263</u></u>		<u><u>21,674,927</u></u>
<b>Capital and reserves</b>					
Called up share capital	20		186,500		186,500
Capital contribution	21		7,500,000		7,500,000
Profit and loss account	21		14,544,763		13,988,427
<b>Total equity</b>			<u><u>22,231,263</u></u>		<u><u>21,674,927</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on

  
**V A Kirloskar**  
Director

The notes on pages 11 to 26 form part of these financial statements.

## KLA - Tencor Limited

### Statement of Changes in Equity For the Year Ended 30 June 2018

	Called up share capital £	Capital contributions £	Profit and loss account £	Total equity £
At 1 July 2017	186,500	7,500,000	13,988,427	21,674,927
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	756,388	756,388
<b>Total comprehensive income for the year</b>	-	-	756,388	756,388
Share based payment	-	-	159,463	159,463
Intercompany recharge - share based payment	-	-	(359,515)	(359,515)
<b>Total transactions with owners</b>	-	-	(200,052)	(200,052)
<b>At 30 June 2018</b>	<b>186,500</b>	<b>7,500,000</b>	<b>14,544,763</b>	<b>22,231,263</b>

### Statement of Changes in Equity For the Year Ended 30 June 2017

	Called up share capital £	Capital contributions £	Profit and loss account £	Total equity £
At 1 July 2016	186,500	7,500,000	12,380,927	20,067,427
<b>Comprehensive income for the year</b>				
Profit for the year	-	-	1,687,291	1,687,291
<b>Total comprehensive income for the year</b>	-	-	1,687,291	1,687,291
Share based payment	-	-	180,883	180,883
Intercompany recharge - share based payment	-	-	(260,674)	(260,674)
<b>Total transactions with owners</b>	-	-	(79,791)	(79,791)
<b>At 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 26 form part of these financial statements.

# KLA - Tencor Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

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### 1. General information

KLA - Tencor Limited is a private company limited by shares incorporated in England and Wales under the Companies Act 2006. The address of the registered office is given on the company information page and the nature of the company's operations and its principal activities are set out in the strategic report and directors' report.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

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 accounting policies (see note 3).

The following principal accounting policies have been applied:

#### 2.2 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 the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 Share-based Payment paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of KLA - Tencor Corporation as at 30 June 2018 and these financial statements may be obtained from 160 Rio Robles, PO Box 49055, San Jose, CA95161-9055.

#### 2.3 Exemption from preparing consolidated financial statements

The company is a parent company that is also a subsidiary included in the consolidated financial statements of its immediate parent undertaking established under the law of a non-EEA state and is therefore exempt from the requirement to prepare consolidated financial statements under section 401 of the Companies Act 2006.

# KLA - Tencor Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

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### 2. Accounting policies (continued)

#### 2.4 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.

#### 2.5 Foreign currency translation

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.

#### 2.6 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.

#### 2.7 Operating leases

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

#### 2.8 Interest income

Interest income is recognised in the profit or loss using the effective interest method.

#### 2.9 Finance costs

Finance costs are charged to the profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

#### 2.10 Pensions

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.

# KLA - Tencor Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

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### 2. Accounting policies (continued)

#### 2.11 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.

#### 2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

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 it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

#### 2.13 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.



# KLA - Tencor Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

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### 2. Accounting policies (continued)

#### 2.13 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

#### 2.14 Valuation of investments

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

#### 2.15 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.

#### 2.16 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### 2.17 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

#### 2.18 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

#### 2.19 Provisions for liabilities

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.

# KLA - Tencor Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

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### 2. Accounting policies (continued)

#### 2.20 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.

### 3. 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 24)

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 12)

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 15)

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 14)

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 to the Financial Statements For the Year Ended 30 June 2018

### 4. Prior year adjustment

During the audit of the financial statements for the year ended 30 June 2018, it was noted that the adjustment to correct the amortisation of foreign exchange values held in stock (refer to "stock amortisation" at note 3) was posted incorrectly.

A prior year adjustment has therefore been posted in the current year financial statements to correct for this error. The result is an increase in the stock value of £1,756,822, and a corresponding decrease in sales, cost of sales and intercompany debtors.

### 5. Turnover

An analysis of turnover by class of business is as follows:

	2018	As restated 2017
	£	£
Field service sales	6,293,616	4,606,445
Application revenue	13,120	27,534
Intercompany sales	58,195,527	55,273,296
	<u>64,502,263</u>	<u>59,907,275</u>

Analysis of turnover by country of destination:

	2018	As restated 2017
	£	£
United Kingdom	2,705,672	2,365,976
Rest of Europe	32,042,721	27,944,148
United States of America	23,642,395	23,590,164
Rest of the world	6,111,475	6,006,987
	<u>64,502,263</u>	<u>59,907,275</u>

# KLA - Tencor Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 6. Operating profit

The operating profit is stated after charging:

	2018 £	2017 £
Services provided by the company's auditor:		
- fees payable for the audit	43,300	42,250
- fees payable for other services - tax compliance	9,000	9,000
- all other services	2,765	2,700
Depreciation of tangible owned fixed assets	31,779	59,667
Stock recognised as an expense	58,935,305	56,241,428
Share based payment	159,463	180,883
Operation lease charges:		
- land and buildings	49,036	48,991
- plant and machinery	4,383	2,869
Exchange gain arising on translation of foreign currencies	203,102	1,225,003
	<u>203,102</u>	<u>1,225,003</u>

### 7. Employees

Staff costs were as follows:

	2018 £	As restated 2017 £
Wages and salaries (including directors' remuneration)	2,598,447	2,436,882
Social security costs	367,172	266,436
Share based payment - fair value of employee services (see note 22)	159,463	180,883
Pension costs (see note 23)	296,930	248,149
	<u>3,422,012</u>	<u>3,132,350</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2018 No.	2017 No.
Engineering and servicing	18	18
Selling and distribution	2	2
Administration	7	7
	<u>27</u>	<u>27</u>

# KLA - Tencor Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

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### 8. Directors' remuneration

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 emolument 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 appointment of their total remuneration for these services is possible.

No retirement benefits are accruing to directors (2017 - £Nil) under defined contribution pension schemes.

### 9. Interest receivable and similar income

	2018 £	2017 £
Interest receivable from group companies	<u>13,650</u>	<u>12</u>

### 10. Interest payable and similar charges

	2018 £	2017 £
Loans from group undertakings	<u>102,625</u>	<u>41,232</u>

# KLA - Tencor Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 11. Taxation

	2018 £	2017 £
<b>Corporation tax</b>		
Current tax on profits for the year	184,462	411,736
Adjustments in respect of previous periods	(5,522)	(1,285)
	<u>178,940</u>	<u>410,451</u>
Double taxation relief	-	(127,967)
	<u>178,940</u>	<u>282,484</u>
<b>Foreign tax</b>		
Foreign tax on income for the year	128,407	171,233
<b>Total current tax</b>	<u>307,347</u>	<u>453,717</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	1,516	(7,576)
Effect of tax rate change on opening balance	4,040	(486)
Adjustments to tax charge in respect of previous periods - deferred tax	-	2,433
<b>Total deferred tax</b>	<u>5,556</u>	<u>(5,629)</u>
<b>Taxation on profit on ordinary activities</b>	<u><u>312,903</u></u>	<u><u>448,088</u></u>

# KLA - Tencor Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 11. Taxation (continued)

#### Factors affecting tax charge for the year

The tax assessed for the year is higher than (2017 - higher than) the standard rate of corporation tax in the UK of 19.00% (2017 - 19.75%). The differences are explained below:

	2018 £	2017 £
Profit on ordinary activities before tax	<u>1,069,291</u>	<u>2,135,379</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2017 - 19.75%)	203,165	421,737
<b>Effects of:</b>		
Expenses not deductible for tax purposes	34,601	38,575
Fixed asset timing differences	429	1,011
Foreign tax	128,407	43,266
Adjustments to deferred tax rates	-	740
Other permanent differences	(52,040)	(58,389)
Adjustments to tax charge in respect of previous periods	(5,522)	(1,285)
Adjustments to tax charge in respect of previous periods - deferred tax	3,863	2,433
<b>Total tax charge for the year</b>	<u><u>312,903</u></u>	<u><u>448,088</u></u>

#### Factors that may affect future tax charges

Reductions in the UK Corporation tax rate from 20% to 17% (19% effective from 1 April 2017 and 17% effective from 1 April 2020) have been substantively enacted. This will impact the company's future tax charge accordingly. The deferred tax asset at 30 June 2018 has been calculated based on the rates substantively enacted at the date of the balance sheet.

# KLA - Tencor Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 12. Tangible fixed assets

	Leasehold improvements £	Plant, machinery and motor vehicles £	Fixtures, fittings and equipment £	Total £
<b>Cost</b>				
At 1 July 2017	112,727	403,866	44,282	560,875
Additions	-	24,316	-	24,316
Disposals	-	(36,301)	-	(36,301)
At 30 June 2018	112,727	391,881	44,282	548,890
<b>Depreciation</b>				
At 1 July 2017	59,147	353,562	26,535	439,244
Provided for the year	10,096	18,011	3,672	31,779
Disposals	-	(35,320)	-	(35,320)
At 30 June 2018	69,243	336,253	30,207	435,703
<b>Net book value</b>				
At 30 June 2018	43,484	55,628	14,075	113,187
At 30 June 2017	53,580	50,304	17,747	121,631



## KLA - Tencor Limited

### Notes to the Financial Statements For the Year Ended 30 June 2018

#### 13. Fixed asset investments

	Investments in subsidiary companies £
<b>Cost or valuation</b>	
At 1 July 2017	1,517,521
At 30 June 2018	<u>1,517,521</u>
<b>Net book value</b>	
At 30 June 2018	<u>1,517,521</u>
At 30 June 2017	<u>1,517,521</u>

#### Subsidiary undertakings

The following were subsidiary undertakings of the company:

Name	Class of shares	Holding	Principal activity
KLA - Tencor Ireland Limited	Ordinary	100 %	Trading - Providing maintenance services and sales of spare parts to customers in the semi-conductor industry

The registered office of the above subsidiary is 25/28 North Wall Quay, Dublin 1, Ireland.

The aggregate of the share capital and reserves as at 30 June 2018 and of the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

	Aggregate of share capital and reserves €	Profit/(loss) €
KLA - Tencor Ireland Limited	<u>1</u>	<u>1</u>

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

# KLA - Tencor Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 14. Stocks

	2018	As restated 2017
	£	£
Raw materials and consumables	<b>23,046,121</b>	23,882,494

### 15. Debtors

	2018	As restated 2017
	£	£
Trade debtors	<b>544,804</b>	360,633
Amounts owed by group undertakings	<b>4,378,691</b>	4,148,268
Other debtors	<b>103,109</b>	103,433
Deferred tax (see note 18)	<b>6,241</b>	-
	<b>5,032,845</b>	4,612,334

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £Nil (2017 - £Nil).

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

### 16. Creditors: Amounts falling due within one year

	2018	2017
	£	£
Trade creditors	<b>219,381</b>	157,904
Amounts owed to group undertakings	<b>4,975,077</b>	3,877,147
Corporation tax	<b>164,868</b>	434,230
Other taxation and social security	<b>200,822</b>	202,345
Deferred tax (see note 18)	-	685
Accruals and deferred income	<b>1,120,437</b>	1,169,811
	<b>6,680,585</b>	5,842,122

# KLA - Tencor Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 17. Creditors: Amounts falling due after more than one year

	2018 £	2017 £
Trade creditors	<u>7,000,000</u>	<u>5,000,000</u>

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.

### 18. Deferred taxation

	2018 £
At beginning of year	685
Charged to profit or loss	5,556
	<u>6,241</u>

The deferred taxation balance is made up as follows:

	2018 £	2017 £
Accelerated capital allowances	6,241	4,471
Tax losses carried forward	-	(3,786)
	<u>6,241</u>	<u>685</u>

The deferred tax asset has been recognised in debtors (see note 15).

### 19. Provisions

	Dilapidations provision £
At 1 July 2017	47,889
At 30 June 2018	<u>47,889</u>

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 to the Financial Statements For the Year Ended 30 June 2018

### 20. Share capital

	2018 £	2017 £
<b>Allotted, called up and fully paid</b>		
186,500 ordinary shares of £1 each	<u>186,500</u>	<u>186,500</u>

### 21. Reserves

The company's capital and reserves are as follows:

#### **Called up share capital**

Called up share capital represents the nominal value of the shares issued.

#### **Capital contribution**

Capital contribution reserve represents contributions to the companies permanent capital which are not regarded as returnable.

#### **Profit and loss account**

The profit and loss account represents cumulative profits or losses, net of dividends paid and other adjustments.

### 22. 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 £159,463 (2017 - £180,883) relating to the issuance of restricted stock units.

# KLA - Tencor Limited

## Notes to the Financial Statements For the Year Ended 30 June 2018

### 23. Pension commitments

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 £296,930 (2017 - £248,149). There were no outstanding contributions at the year end (2017 - £Nil).

### 24. Commitments under operating leases

At 30 June 2018 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2018 £	2017 £
Not later than 1 year	53,419	53,452
Later than 1 year and not later than 5 years	63,683	96,916
	<u>117,102</u>	<u>150,368</u>

### 25. Related party transactions

The company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

### 26. 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 2018. Copies of the group financial statements may be obtained from 160 Rio Robles, PO Box 49055, San Jose, CA95161-9055.