

Registrar's Copy

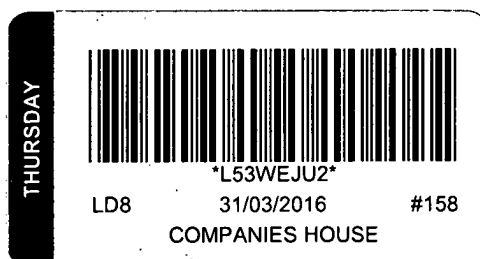
**KLA - Tencor Limited**

Report and Financial Statements

Year ended

30 June 2015

Company Number 1560324



# **KLA - Tencor Limited**

## **Report and financial statements for the year ended 30 June 2015**

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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, Kings Wharf, 20-30 Kings Road, Reading, Berkshire, RG1 3EX

# **KLA - Tencor Limited**

## **Strategic report for the year ended 30 June 2015**

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The directors present their strategic report together with the audited financial statements for the year ended 30 June 2015.

### **Results and dividends**

The profit and loss account for the year is set out on page 7. The directors have not recommended the payment of a dividend (2014: £26.36 per ordinary share was declared and paid).

### **Business review**

The results for the UK company show a pre-tax loss of £1,354,245 (2014 – pre-tax profit of £4,854,402) with sales of £48,819,318 (2014 - £49,843,547). The company had cash of £1,725,416 at 30 June 2015 (2014 - £5,578,880).

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 market share. 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
- 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 2015 (*continued*)**

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### **Key Performance Indicators**

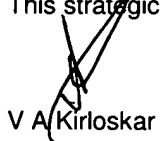
Given the straightforward nature of the business, a quarterly balanced scorecard approach is taken to monitor the company performance. The key measurements are Customer Focus, Company Growth, Operational Excellence and Talent Management with key matrixes defined and monitored by the parent company.

The method of recording these measurements is by percentage. This reflects the Corporate Annual Incentive Bonus Plan for 1st July 2014 to 30 June 2015 which is intended to motivate participants to achieve key company objectives.

The final results were: Customer Focus – 100%, Company Growth – 80%, Operational Excellence –100% and Talent Management – 110%. The company has recently made internal changes to best focus on our customers and to retain our highly trained employees which is reflected in the final scores.

### **Approval**

This strategic report was approved on behalf of the Board on



**Director**

28/3/16

# **KLA - Tencor Limited**

## **Report of the directors for the year ended 30 June 2015**

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The directors present their report together with the audited financial statements for the year ended 30 June 2015.

### **Principal activities**

The KLA-Tencor group is a world leader in yield management and process control solutions for the semi-conductor and related industries. The principal activities of the company continue to be providing maintenance services to customers of the company and providing equipment installation, after sales support and sales promotion services to group companies and external customers.

The company operates branches in the Netherlands and Belgium.

### **Directors**

The directors of the company during the year were:

B M Martin (resigned 25<sup>th</sup> September 2015)  
V A Kirloskar  
B D Higgins (appointed 25<sup>th</sup> 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 2015 (continued)**

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### **Subsequent events**

On 19 February 2016 it was announced that a majority shareholding of both Lam Research Corporation and KLA - Tencor Corporation had approved the acquisition of KLA - Tencor Corporation by LAM Research Corporation.

### **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**

Date 28/3/16

# **KLA - Tencor Limited**

## **Independent auditor's report**

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### **TO THE MEMBERS OF KLA - TENCOR LIMITED**

We have audited the financial statements of KLA - Tencor Limited for the year ended 30 June 2015 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the 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](http://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 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the 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

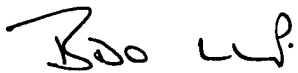
## Independent auditor's report (*continued*)

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



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

Date *28/3/16*

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



# KLA - Tencor Limited

## Profit and loss account for the year ended 30 June 2015

	Note	2015 £	2014 £
<b>Turnover</b>	2	<b>48,819,318</b>	49,843,547
Cost of sales		(44,914,371)	(43,857,596)
<b>Gross profit</b>		<b>3,904,948</b>	5,985,951
Administrative expenses		(3,565,140)	(4,820,735)
Foreign exchange loss		(1,696,038)	(1,228,306)
Total administrative expenses		(5,261,178)	(6,049,041)
<b>Operating loss</b>	3	<b>(1,356,230)</b>	(63,090)
Other interest receivable and similar income		1,985	1,992
Income from shares in group undertakings	7	-	4,915,500
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(1,354,245)</b>	4,854,402
Taxation on (loss)/profit from ordinary activities	6	243,377	111,248
<b>(Loss)/profit on ordinary activities after taxation</b>	15	<b>(1,110,868)</b>	4,965,650

All amounts relate to continuing activities.

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

The notes on pages 9 to 20 form part of these financial statements.

# KLA - Tencor Limited

## Balance sheet at 30 June 2015

<b>Company number 1560324</b>	<b>Note</b>	<b>2015 £</b>	<b>2015 £</b>	<b>2014 £</b>	<b>2014 £</b>
<b>Fixed assets</b>					
Tangible assets	8		251,549		277,510
Investments	9		1,517,521		1,517,521
			<u>1,769,070</u>		<u>1,795,031</u>
<b>Current assets</b>					
Stocks	10	15,403,292		11,641,864	
Debtors	11	21,992,030		4,422,070	
Cash at bank and in hand		1,725,416		5,578,880	
		<u>39,120,738</u>		<u>21,642,814</u>	
<b>Creditors: amounts falling due within one year</b>	12	(23,708,087)		(4,829,362)	
		<u></u>		<u></u>	
<b>Net current assets</b>			15,412,651		16,813,452
<b>Total assets less current liabilities</b>			<u>17,181,721</u>		<u>18,608,483</u>
<b>Provisions for liabilities</b>	13		(47,889)		(47,889)
			<u></u>		<u></u>
<b>Net assets</b>			<u>17,133,832</u>		<u>18,560,594</u>
<b>Capital and reserves</b>					
Called up share capital	14		186,500		186,500
Capital contribution	15		7,500,000		7,500,000
Profit and loss account	15		9,447,332		10,874,094
			<u></u>		<u></u>
<b>Shareholders' funds</b>	16		<u>17,133,832</u>		<u>18,560,594</u>

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

  
V A Kirloskar  
Director

28/3/16

The notes on pages 9 to 20 form part of these financial statements.

# KLA - Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2015

### 1 Accounting policies

The financial statements have been prepared under the historical cost convention, and are in accordance with applicable accounting standards.

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.

#### *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.

#### *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 and amounts invoiced to customers in respect of maintenance work and product sales.

Revenue is generally recognised when all of the following conditions are satisfied:

- (i) There is persuasive evidence of an arrangement
- (ii) The service has been provided to the customer
- (iii) The amount of fees to be paid by the customer are fixed or determinable
- (iv) The collection of the fees is probable.

Income earned from after-sales service contract support and maintenance services under warranty is recognised over the period of the warranty obligation or relevant support contract.

#### *Tangible fixed assets and depreciation*

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Tangible fixed assets are stated at historical cost less accumulated depreciation. Depreciation is calculated so as to write off the cost on a straight-line basis over their estimated economic useful lives. The principal rates used for this purpose are:

Leasehold improvements	-	Shorter of 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.

# KLA - Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2015 (*continued*)

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### 1 Accounting policies (*continued*)

#### *Foreign currencies*

Transactions denominated in foreign currencies are translated into sterling and recorded at exchange rates ruling at the transaction date. Monetary assets and liabilities in foreign currencies are translated into sterling at exchange rates ruling at the balance sheet date. Exchange differences are dealt with in the profit and loss account in the period in which they arise.

#### *Investments*

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

#### *Taxation*

The charge for taxation is based on the profit for the year and takes into account taxation deferred.

Current tax is measured at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences. Deferred tax balances are not discounted.

#### *Operating leases*

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

#### *Pension costs*

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

#### *Related parties*

The company is a wholly owned subsidiary of KLA-Tencor Corporation and has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with KLA-Tencor Corporation, KLA - Tencor Ireland Limited and other wholly owned subsidiaries within the group.

#### *Cash flow statement*

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes consolidated financial statements.

# KLA - Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2015 (continued)

### 1 Accounting policies (continued)

#### *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.

#### *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.

### 2 Turnover

The geographical analysis of turnover by destination is as follows:

	2015 £	2014 £
United Kingdom	3,135,195	2,298,401
Rest of Europe	23,888,398	24,171,136
United States of America	19,759,424	20,253,869
Rest of world	2,036,301	3,120,141
	<hr/>	<hr/>
	48,819,318	49,843,547
	<hr/>	<hr/>

# KLA - Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2015 (continued)

### 3 Operating loss

	2015 £	2014 £
This is arrived after charging/(crediting):		
Services provided by the company's auditor:		
- fees payable for the audit	41,000	40,000
- fees payable for other services - tax compliance	9,000	9,650
- all other services	2,650	2,650
Depreciation of tangible owned fixed assets	108,233	72,674
Operating lease charges:		
- land and buildings	18,167	30,267
- plant and machinery	4,932	4,936
Exchange loss arising on translation of foreign currencies	(1,696,038)	(1,228,306)
	<hr/>	<hr/>

### 4 Wages and salaries

	2015 £	2014 £
Staff costs (including directors) consist of:		
Wages and salaries (including directors' remuneration)	3,144,781	2,694,524
Social security costs	430,690	333,506
Share based payment - fair value of employee services (note 19)	146,656	161,004
Pension costs (note 18)	376,744	354,448
	<hr/>	<hr/>
	4,098,871	3,543,482
	<hr/>	<hr/>

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

	2015 Number	2014 Number
Engineering and servicing	20	18
Selling and distribution	4	4
Administration	10	10
	<hr/>	<hr/>
	34	32
	<hr/>	<hr/>

### 5 Directors

The emoluments of all directors during the current and prior year were paid by other group companies for services to the group as a whole, and the directors received no separate emoluments for their services to this company. The Directors consider the services provided to the company to be incidental.

No recharge for any of these services was made to the company, and no apportionment of their total remuneration for these services is possible. Where required by local legislation their remuneration is disclosed in the accounts of their employer.

No retirement benefits are accruing to directors (2014 - Nil) under defined contribution pension schemes.

# KLA - Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2015 (continued)

### 6 Taxation on profit from ordinary activities

	2015 £	2014 £
<i>Current tax</i>		
UK corporation tax at 20.75% (2014 - 22.50%)	-	-
Overseas tax	87,253	37,098
Adjustment in respect of prior years	-	3,661
	<hr/>	<hr/>
Total current tax	87,253	40,759
<i>Deferred tax</i>		
Origination and reversal of timing differences	(330,630)	(156,603)
Effect of tax rate change on opening balance	-	4,596
	<hr/>	<hr/>
Total deferred tax	(330,630)	(152,007)
	<hr/>	<hr/>
Taxation on profit on ordinary activities	(243,377)	(111,248)
	<hr/>	<hr/>

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

	2015 £	2014 £
(Loss)/profit on ordinary activities before tax	(1,354,245)	4,854,402
	<hr/>	<hr/>
Profit on ordinary activities at the standard rate of corporation tax in the UK of 20.75% (2014 - 22.50%)	(281,015)	1,092,240
Effects of:		
Expenses not deductible for tax purposes	32,619	2,423
Other short term timing difference	(4,029)	36,488
Accelerated capital allowances	3,439	(53,982)
Foreign tax	87,253	37,098
Adjustments to tax charge in respect of previous period	-	3,661
Other permanent differences	(85,664)	(192,745)
Income not taxable for tax purposes	(11,220)	(1,106,055)
Unrelieved tax losses and other deductions arising in the period	345,870	221,631
	<hr/>	<hr/>
Current tax charge for year	87,253	40,759
	<hr/>	<hr/>

### 7 Dividends

	2015 £	2014 £
Ordinary shares		
Interim paid of £nil (2014 – 26.36p) per £1 share	-	4,915,500
	<hr/>	<hr/>

# KLA - Tencor Limited

Notes forming part of the financial statements  
for the year ended 30 June 2015 (*continued*)

## 8 Tangible fixed assets

	Leasehold improvements £	Plant, machinery and motor vehicles £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>				
At 1 July 2014	62,097	410,502	20,289	492,888
Additions	41,260	15,309	25,703	82,272
Disposals	-	(26,010)	(1,710)	(27,720)
At 30 June 2015	<b>103,357</b>	<b>399,801</b>	<b>44,282</b>	<b>547,440</b>
<i>Depreciation</i>				
At 1 July 2014	35,662	159,667	20,049	215,378
Provided for the year	3,613	103,768	852	108,233
Disposals	-	(26,010)	(1,710)	(27,720)
At 30 June 2015	<b>39,275</b>	<b>237,425</b>	<b>19,191</b>	<b>295,891</b>
<i>Net book value</i>				
At 30 June 2015	<b>64,082</b>	<b>162,376</b>	<b>25,091</b>	<b>251,549</b>
At 30 June 2014	26,435	250,835	240	277,510

## 9 Investments

	£
At 1 July 2014 and at 30 June 2015	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 2015 (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 2015	367,654	4,407,429

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

### 10 Stocks

	2015 £	2014 £
Raw materials and consumables	15,403,292	11,641,864

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

### 11 Debtors

	2015 £	2014 £
Trade debtors	574,343	514,920
Amounts owed by group undertakings	20,834,995	3,618,841
Other debtors and prepayments	64,822	101,069
Deferred tax (see note 13)	517,870	187,240
	<u>21,992,030</u>	<u>4,422,070</u>

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

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

	2015 £	2014 £
Trade creditors	97,124	94,381
Amounts owed to group undertakings	21,712,721	3,337,408
Other taxation and social security	333,893	251,898
Accruals and other creditors	1,373,382	979,621
Deferred income	183,671	130,098
Corporation tax	7,296	35,956
	<u>23,708,087</u>	<u>4,829,362</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 2015 (*continued*)

### 13 Provisions for liabilities

#### Dilapidations provision £

At 1 July 2014 and at 30 June 2015 **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.

Deferred tax asset provided at year-end comprises:

	2015 £	2014 £
Accelerated capital allowances	19,901	23,215
Short term timing differences	-	(6,042)
Losses and other deductions	(537,771)	(204,413)
	<u>(517,870)</u>	<u>(187,240)</u>
1 July 2014	(187,240)	(35,233)
Deferred tax in the profit and loss account (note 6)	(330,630)	(152,007)
	<u>(517,870)</u>	<u>(187,240)</u>
30 June 2015	(517,870)	(187,240)

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

### 14 Called-up share capital

	2015 £	2014 £
<i>Allotted called-up and fully paid</i> 186,500 ordinary shares of £1 each	<b>186,500</b>	186,500

### 15 Reserves

	Capital contribution £	Profit and loss account £
At 1 July 2014	7,500,000	10,874,094
Loss for the financial year	-	(1,110,868)
Share based payment - distribution	-	(315,894)
	<u>7,500,000</u>	<u>9,447,332</u>
At 30 June 2015	7,500,000	9,447,332

# KLA - Tencor Limited

Notes forming part of the financial statements  
for the year ended 30 June 2015 (continued)

## 16 Reconciliation of movements in shareholders' funds

	2015 £	2014 £
(Loss)/Profit for the year	(1,110,868)	4,965,650
Dividends paid	-	(4,915,500)
Share based payment	146,656	161,004
Intercompany recharge - share based payment	(462,550)	(840,704)
Net increase in shareholders' deficit	(1,426,762)	(629,550)
Opening shareholders' funds	18,560,594	19,190,144
Closing shareholders' funds	17,133,832	18,560,594

## 17 Financial commitments

At 30 June 2015 the company had annual commitments under non-cancellable operating leases as follows:

	2015 Land and Buildings £	2015 Plant and machinery £	2014 Land and buildings £	2014 Plant and machinery £
Operating leases which expire:				
In two to five years	18,167	4,392	18,167	4,932
	18,167	4,932	18,167	4,932

## 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 £376,744 (2014 - £354,448). There were no outstanding contributions at the year-end (2014 - Nil).

# KLA - Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2015 (continued)

### 19 Share based payments

Substantially all of the Company's employees that meet established performance goals and qualify as key employees participate in its main equity incentive plan. Up to 30 June 2006, share options (except for the retroactively priced options which were primarily granted prior to the year ended 30 June 2002) were generally granted at the market price of the parent company's common stock on the date of grant, with a vesting period of five years and an exercise period not exceeding seven years (ten years for options granted prior to 1 July 2005) from the date of grant. Restricted stock units may be granted with varying criteria such as time-based or performance-based vesting.

On 18 October 2004, the 2004 Equity Incentive Plan (the "2004 Plan") was approved. It provides for the grant of options to purchase shares of KLA-Tencor Inc's common stock, stock appreciation rights, restricted stock units, performance shares, performance units and deferred stock units to employees, consultants and members of the Board of Directors.

The company has granted only restricted stock units under its equity incentive program since August 1 2006. From 1 October 2012 no further grants will occur on equity incentive program. In replacement a new LTIP (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 to 30 June 2015 is £146,656 (2014 - £161,004). The portion of that expense arising from stock options is £Nil (2014 - debit of £Nil) and restricted share units is £146,656 (2014 - £161,004).

#### Stock options

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

	2015 Number	2015 WAEP	2014 Number	2014 WAEP
Outstanding as at 1 July	1,845	£24.06	21,212	£31.88
Forfeited during the year	-	-	-	-
Exercised	(2,037)	£94.64 <sup>1</sup>	(19,091)	£30.25 <sup>2</sup>
Expired/adjusted during the year	(45)	£25.81	(276)	£11.14
Transfer/adjusted during the year	237	£19.73	-	-
	<hr/>		<hr/>	
Outstanding at 30 June	-	-	1,845	£23.20
	<hr/>		<hr/>	
Exercisable at 30 June	-	-	1,845	£23.20
	<hr/>		<hr/>	

1. The weighted average share price at the date of exercise for the options exercised is £42.39.
2. The weighted average share price at the date of exercise for the options exercised is £37.23.

# KLA - Tencor Limited

## Notes forming part of the financial statements for the year ended 30 June 2015 (continued)

### 19 Share based payments (continued)

For the share options outstanding as at 30 June 2015, the weighted average remaining contractual life is 0 years (2014 - 0.5 years).

No options were granted in the years ended 30 June 2015 and 2014. The range of exercise prices for options outstanding at the end of the year was £Nil (2014 - £22.82 - £23.88).

#### Restricted Stock Units (RSU's)

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

	2015 Number	2014 Number
Outstanding as at 1 July	20,189	35,222
Granted during the year	2,748	3,112
Forfeited during the year	(150)	-
Vested/released	(7,707) <sup>1</sup>	(18,145) <sup>2</sup>
	<hr/>	<hr/>
Outstanding at 30 June	15,080	20,189
	<hr/>	<hr/>
Unvested at 30 June	15,080	20,189
	<hr/>	<hr/>

1. The weighted average share price at the date of release for the awards is £49.66.

2. The weighted average share price at the date of release for the awards is £36.71.

For the restricted stock units outstanding as at 30 June 2015, the weighted average remaining contractual life is 0.9 years (2014 - 1 year).

The weighted average fair value of RSUs granted during the year was £47.13 (2014 - £32.50).

#### Valuation assumptions

The fair value of stock-based awards is measured at grant date and is recognised as an expense over the employee's requisite service period applying the straight-line attribution approach. The fair value is determined using a Black-Scholes valuation model for stock options and for purchase rights under the Company's Employee Stock Purchase Plan and using the closing price of the company's common stock on the grant date for restricted stock units.

There are no cash settled options as at 30 June 2015 (2014 - Nil).

### 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 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 2015 (*continued*)**

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### **21 Subsequent events**

On 19 February 2016 it was announced that the majority shareholding of both Lam Research Corporation and KLA – Tencor Corporation had approved the acquisition of KLA – Tencor Corporation by Lam Research Corporation.