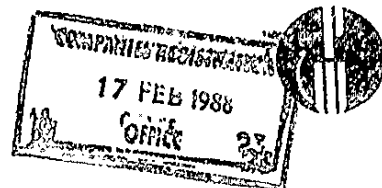


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KLA INSTRUMENTS LIMITED
DIRECTORS' REPORT AND ACCOUNTS
30 JUNE 1986

Price Waterhouse

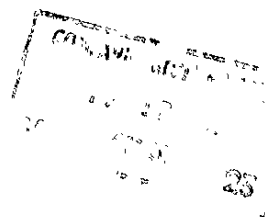


1560324

KLA INSTRUMENTS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

30 JUNE 1986



KLA INSTRUMENTS LIMITED

DIRECTORS' REPORT

The directors present their report and statement of accounts for the year ended 30 June 1986.

PRINCIPAL ACTIVITIES

The principal activity of the Company continued to be that of providing equipment installation, warranty and repairs service to customers of group companies and sales promotion for group companies.

Exceptionally, the Company made two direct sales of products manufactured by other group companies. This type of transaction is not expected to be repeated.

REVIEW OF THE BUSINESS

The results were greatly improved this year consequent upon the increased sales activity and gains on translation of foreign currency balances.

RESULTS AND DIVIDENDS

The profit/(loss) after taxation for the year ended 30 June 1986 amounted to £118,394 (1985: (£90,490)) and has been added to reserves. The directors do not recommend the payment of a dividend (1985 - Nil).

DIRECTORS AND THEIR INTERESTS

The directors of the Company who held office during the year were:

K Levy
R Anderson
R Riopel - appointed 1 April 1986

None of the directors of the Company had at any time in the period any direct beneficial interest in the share capital of the Company.

AUDITORS

The auditors, Price Waterhouse, have indicated their willingness to continue in office and a resolution proposing their re-election will be put at the Annual General Meeting.

By Order of the Board



Secretary

35 St Thomas' Street
London SE1

25 November 1987

Price Waterhouse



AUDITORS' REPORT TO THE MEMBERS OF
KLA INSTRUMENTS LIMITED

We have audited the accounts on pages 3 to 9 in accordance with approved Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 30 June 1986 and of its profit and the source and application of funds for the year then ended and comply with the Companies Act 1985.

Price Waterhouse

Chartered Accountants

25 November 1987

Southwark Towers
32 London Bridge Street
London SE1 9SY

KLA INSTRUMENTS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 1986

	<u>1986</u> £	<u>1985</u> £
TURNOVER (Note 1 and 2)	1,362,501	681,403
Cost of product sales	705,405	-
Administrative and other expenses	589,967	801,341
	<hr/>	<hr/>
OPERATING PROFIT/(LOSS)	67,129	(119,938)
Gain arising on translation of foreign currencies	61,260	24,228
Interest receivable	4,126	-
	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION (Note 3)	132,515	(95,710)
Taxation (charge)/credit on profit/(loss) on ordinary activities (Note 4)	(14,121)	5,220
	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	118,394	(90,490)
(LOSS)/PROFIT BROUGHT FORWARD AT 1 JULY	(71,361)	19,129
	<hr/>	<hr/>
RETAINED PROFIT/(LOSS) CARRIED FORWARD AT 30 JUNE	£47,033	£(71,361)
	<hr/>	<hr/>

The notes on pages 6 to 9 form
part of these accounts.

KLA INSTRUMENTS LIMITED

BALANCE SHEET - 30 JUNE 1986

	<u>1986</u> £	<u>1985</u> £
FIXED ASSETS		
Tangible assets (Note 6)	98,833	69,338
CURRENT ASSETS		
Trade debtors	50,948	57,523
Amounts owed by group companies	144,221	30,388
Other debtors and prepayments	10,412	10,034
Cash at bank	<u>87,882</u>	<u>46,136</u>
	293,463	144,081
CREDITORS: (amounts falling due within one year)		
Amounts owed to group companies	55,057	241,785
Trade creditors	5,687	18,094
Taxation and social security	7,439	4,547
Accruals	<u>52,675</u>	<u>20,254</u>
	120,858	284,680
NET CURRENT ASSETS/(LIABILITIES)	172,605	(140,599)
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>£271,438</u>	<u>£(71,261)</u>
CREDITORS:(amounts falling due after more than one year)		
Amounts owed to group companies	213,380	-
PROVISIONS FOR LIABILITIES AND CHARGES		
Deferred taxation (Note 5)	10,925	-
CAPITAL AND RESERVES		
Called up share capital (Note 7)	100	100
Profit and loss account	<u>47,033</u>	<u>(71,361)</u>
	<u>£271,438</u>	<u>£(71,261)</u>
DIRECTORS		

The accounts were approved by the Board on 25 November 1987

The notes on pages 6 to 9 form part of these accounts.



KLA INSTRUMENTS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 30 JUNE 1986

	<u>1986</u> £	<u>1985</u> £
SOURCE OF FUNDS		
Profit/(loss) on ordinary activities before taxation	132,515	(95,710)
Adjustments for items not involving the movement of funds:		
Depreciation	21,087	10,927
	<u>153,602</u>	<u>(84,783)</u>
OTHER SOURCES OF FUNDS		
Amounts owed to group companies	213,380	-
APPLICATION OF FUNDS		
Purchase of fixed assets	<u>(50,582)</u>	<u>(74,399)</u>
	<u>£316,400</u>	<u>£(159,182)</u>
MOVEMENT IN WORKING CAPITAL:		
(Decrease)/increase in debtors	(6,197)	20,857
(Increase) in creditors	(19,710)	(17,864)
Decrease/(increase) in balances owed to group companies	300,561	(182,272)
Movement in net liquid funds		
Increase in cash at bank	41,746	20,697
	<u>£316,400</u>	<u>£(159,182)</u>

The notes on pages 6 to 9 form
part of these accounts.

KLA INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS - 30 JUNE 1986

1 ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention. The principal accounting policies are as follows:

(1) Turnover

Turnover represents the net amounts invoiced to other group companies for promotion, equipment installation and warranty services to customers and amounts invoiced to customers in respect of maintenance work and product sales.

(2) Deferred taxation

Deferred corporation tax is provided for only to the extent that it is probable that a liability or asset will crystallize in the foreseeable future.

(3) Depreciation

Depreciation is provided on a straight line basis at the rate of:

Leasehold improvements	period of lease
Equipment and motor vehicles	20%
Furniture, fixtures and fittings	20%

(4) Foreign currency translation

All assets and liabilities are translated into sterling at 30 June exchange rates. Profit and loss amounts have been translated at average rates. Exchange gains or losses are included in the profit and loss account.

2 TURNOVER

	<u>1986</u> £	<u>1985</u> £
Product sales	705,405	-
Other income	<u>657,096</u>	<u>681,403</u>
	<u>£1,362,501</u>	<u>£681,403</u>

KLA INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS - 30 JUNE 1986

3 PROFIT/(LOSS) ON ORDINARY ACTIVITY BEFORE TAXATION

Profit/(loss) on ordinary activities before taxation is stated after charging:

	<u>1986</u> £	<u>1985</u> £
Wages and salaries	244,709	235,591
Social security costs	21,660	20,852
Other pension costs	7,910	7,450
Auditors' remuneration	4,000	2,500
Depreciation	<u>21,087</u>	<u>10,927</u>

None of the directors received any fees or other emoluments in respect of their services to the Company during the year (1985: Nil). The average number of persons employed in the Company during the year was 11 (1985: 10).

Two employees received emoluments in excess of £30,000:

30,001 - 35,000	1	-
60,001 - 65,000	-	1
65,001 - 70,000	1	-

4 TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	<u>1986</u> £	<u>1985</u> £
The (charge)/credit is based upon the profit/(loss) on ordinary activities before taxation and comprises:		
United Kingdom corporation tax at 30% (1985 - 30%)		
- current	(3,196)	5,220
- deferred	<u>(10,925)</u>	<u>-</u>
	<u>£(14,121)</u>	<u>£5,220</u>

The effective rate is low due to the availability of previous year taxable losses and certain non-taxable exchange gains.

KLA INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS - 30 JUNE 1986

5 DEFERRED TAXATION

	1986		1985	
	Amount provided £	Potential liability £	Amount provided £	Potential asset/ (liability) £
Deferred corporation tax in respect of:				
Losses carried forward	-	-	-	40,618
Capital allowances	(10,925)	(10,925)	-	(7,823)
	£(10,925)	£(10,925)	£-	£32,795

6 TANGIBLE ASSETS

	Leasehold Improvements £	Equipment and Motor Vehicles £	Furniture, Fixtures and Fittings £	Total £
<u>Cost</u>				
At 1 July 1985	20,308	50,543	9,414	80,265
Additions	886	42,701	6,995	50,582
At 30 June 1986	21,194	93,244	16,409	130,847
<u>Depreciation</u>				
At 1 July 1985	2,445	7,779	703	10,927
Charge for the year	4,062	14,939	2,086	21,087
At 30 June 1986	6,507	22,718	2,789	32,014
<u>Net book value</u>				
At 30 June 1986	£14,687	£70,526	£13,620	£98,833
At 30 June 1985	£17,863	£42,764	£8,711	£69,338

KLA INSTRUMENTS LIMITED

NOTES TO THE ACCOUNTS - 30 JUNE 1986 (CONTINUED)

7 CALLED UP SHARE CAPITAL

	<u>1986</u> £	<u>1985</u> £
Authorised 1,000 shares of £1 each	<u>1,000</u>	<u>1,000</u>
Allotted and fully paid 100 shares of £1 each	<u>100</u>	<u>100</u>

8 ULTIMATE HOLDING COMPANY

The ultimate holding company is KLA Instruments Corporation, incorporated in Delaware, United States of America.

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