

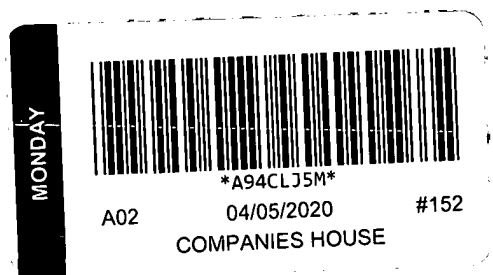
KLA - Tencor Limited

Annual Report and Financial Statements

Year Ended

30 June 2019

Company Number 01560324



KLA - Tencor Limited

Company Information

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

KLA - Tencor Limited

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KLA - Tencor Limited

Strategic Report For the Year Ended 30 June 2019

The directors present their strategic report together with the audited financial statements for the year ended 30 June 2019.

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 (2018 - £Nil).

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 £1,344,920 (2018 - £1,069,291) with turnover of £69,585,670 (2018 - £64,502,263). The company had cash of £3,512,552 at 30 June 2019 (2018 - £6,250,063).

FY19 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 Operator 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 new position within our HR team and employed a European based Immigration specialists 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 2019

Principal risks and uncertainties

The principle risk and uncertainty facing the business is the impact of Covid 19.

The directors do not anticipate a significant disruption to their operations; they have announced a temporary work from home policy, which applies to all KLA employees and non-employee service providers globally. Despite working from home, the business is able to operate as normal, with all application engineers able to work from home. All parts are supplied directly from the US parent company, to the Central Warehouse in the Netherlands; both these aspects of the business are operating as normal. Our major customers, which generate a significant portion of our revenue have not been significantly impacted, and continue to place orders as normal. Some of the smaller customers have been impacted and therefore revenue is predicted to reduce therefore KLA have predicted a slowdown in their operations, however this is not considered to be significant. The situation and the financial and operational impact on the business will continue to be monitored on a daily basis and updated and communicated in a timely way.

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 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 *April 28, 2020* and signed on its behalf.


V/A Kirloskar
Director

KLA - Tencor Limited

Directors' Report For the Year Ended 30 June 2019

The directors present their report together with the audited financial statements for the year ended 30 June 2019.

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 2019 performance.

Results and dividends

The profit for the year, after taxation, amounted to £1,078,302 (2018 - £756,388).

The directors have not recommended the payment of a dividend (2018 - £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 *April 26, 2020* and signed on its behalf.



V A Kirloskar
Director

KLA - Tencor Limited

Directors' Responsibilities Statement For the Year Ended 30 June 2019

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

Opinion

We have audited the financial statements of KLA - Tencor Limited ("the company") for the year ended 30 June 2019 which comprise the statement of comprehensive income, the statement of financial position, 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 2019 and of its loss 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)

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)

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 at the Financial Reporting Council's website at: <https://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

Date: 28 April 2020

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 2019

	Note	2019 £	2018 £
Turnover	4	69,585,670	64,502,263
Cost of sales		(65,081,028)	(59,847,422)
Gross profit		4,504,642	4,654,841
Administrative expenses		(3,469,400)	(3,699,677)
Foreign exchange gain		411,691	203,102
Operating profit	5	1,446,933	1,158,266
Interest receivable and similar income	8	21,613	13,650
Interest payable and similar charges	9	(123,626)	(102,625)
Profit before tax		1,344,920	1,069,291
Tax on profit	10	(266,618)	(312,903)
Profit for the financial year		1,078,302	756,388

All amounts relate to continuing activities.

There were no recognised gains and losses for 2019 or 2018 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2019 (2018 - £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 2019**

	Note	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Tangible assets	11		91,580		113,187
Investments	12		1,517,521		1,517,521
			<u>1,609,101</u>		<u>1,630,708</u>
Current assets					
Stocks	13	26,818,123		23,046,121	
Debtors: amounts falling due within one year	14	6,331,655		5,032,845	
Cash at bank and in hand		3,512,553		6,250,063	
		<u>36,662,331</u>		<u>34,329,029</u>	
Creditors: amounts falling due within one year	15	(15,217,340)		(6,680,585)	
Net current assets			<u>21,444,991</u>		<u>27,648,444</u>
Total assets less current liabilities			<u>23,054,092</u>		<u>29,279,152</u>
Creditors: amounts falling due after more than one year	16		-		(7,000,000)
Provisions for liabilities					
Other provisions	18		(47,889)		(47,889)
Net assets			<u>23,006,203</u>		<u>22,231,263</u>
Capital and reserves					
Called up share capital	19		186,500		186,500
Other reserves	20		7,500,000		7,500,000
Profit and loss account	20		15,319,703		14,544,763
Total equity			<u>23,006,203</u>		<u>22,231,263</u>

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


V A Kirloskar
Director

April 28, 2020

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 2019

	Called up share capital	Capital contributions	Profit and loss account	Total equity
	£	£	£	£
At 1 July 2018	186,500	7,500,000	14,544,763	22,231,263
Comprehensive income for the year				
Profit for the year	-	-	1,078,302	1,078,302
Total comprehensive income for the year	-	-	1,078,302	1,078,302
Intercompany recharge.- share based payment	-	-	(303,362)	(303,362)
Total transactions with owners	-	-	(303,362)	(303,362)
At 30 June 2019	186,500	7,500,000	15,319,703	23,006,203

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
Comprehensive income for the year				
Profit for the year	-	-	756,388	756,388
Total comprehensive income for the year	-	-	756,388	756,388
Share based payment	-	-	159,463	159,463
Intercompany recharge - share based payment	-	-	(359,515)	(359,515)
Total transactions with owners	-	-	(200,052)	(200,052)
At 30 June 2018	186,500	7,500,000	14,544,763	22,231,263

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 2019

1. General information

KLA - Tencor Limited is a private company limited by shares and 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's accounting policies (see note 3).

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

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 2019 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 2019

2. Accounting policies (continued)

2.4 Going concern

Covid 19 and its impact on the ability to continue as a going concern has been assessed in detail. KLA do not anticipate a significant disruption to their operations; they have announced a temporary work from home policy, which applies to all KLA employees and non-employee service providers globally. Despite working from home, the business is able to operate as normal, with all application engineers able to work from home. All parts are supplied directly from the US parent company, to the central warehouse in the Netherlands; both these aspects of the business are operating as normal. Our major customers, which generate a significant portion of our revenue have not been significantly impacted, and continue to place orders as normal. Some of the smaller customers have been impacted and therefore revenue is predicted to reduce therefore KLA have predicted a slowdown in their operations, however this is not considered to be significant and does not result in any material uncertainty of the company's ability to continue as a going concern. The situation and the financial and operational impact on the business will continue to be monitored on a daily basis and updated and communicated in a timely way.

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.

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2019

2. Accounting policies (continued)

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.

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 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.

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.

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2019

2. Accounting policies (continued)

2.12 Tangible fixed assets (continued)

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

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2019

2. Accounting policies (continued)

2.20 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.

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 23)

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 11)

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 14)

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. The methodology is applied on a customer-by-customer basis.

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2019

3. Judgements in applying accounting policies (continued)

Key sources of estimation uncertainty

- Stock amortisation (see note 13)

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.

4. Turnover

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

	2019 £	2018 £
Field service sales	5,895,808	6,293,616
Application revenue	67,856	13,120
Intercompany sales	63,622,006	58,195,527
	<u>69,585,670</u>	<u>64,502,263</u>

Analysis of turnover by country of destination:

	2019 £	2018 £
United Kingdom	3,253,657	2,705,672
Rest of Europe	34,367,509	32,042,721
United States of America	25,455,842	23,642,395
Rest of the world	6,508,662	6,111,475
	<u>69,585,670</u>	<u>64,502,263</u>

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2019

5. Operating (Loss)/profit

The operating (loss)/profit is stated after charging:

	2019 £	2018 £
Services provided by the company's auditor:		
- fees payable for the audit	44,400	43,300
- fees payable for other services - tax compliance	10,000	9,000
- all other services	3,225	2,765
Depreciation of tangible owned fixed assets	59,990	31,779
Stock recognised as an expense	62,802,762	58,935,305
Share based payment	118,473	159,463
Operation lease charges:		
- land and buildings	49,236	49,036
- plant and machinery	4,383	4,383
Exchange gain arising on translation of foreign currencies	411,691	203,102
	<u>411,691</u>	<u>203,102</u>

6. Employees

Staff costs, including directors' remuneration, were as follows:

	2019 £	2018 £
Wages and salaries (including directors' remuneration)	2,372,081	2,598,447
Social security costs	341,420	367,172
Share based payment - fair value of employee services (see note 21)	118,473	159,463
Pension costs (see note 22)	270,821	296,930
	<u>3,102,795</u>	<u>3,422,012</u>

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

	2019 No.	2018 No.
Engineering and servicing	18	18
Selling and distribution	2	2
Administration	5	7
	<u>25</u>	<u>27</u>

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2019

7. 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 (2018 - £Nil) under defined contribution pension schemes.

8. Interest receivable and similar income

	2019 £	2018 £
Interest receivable from group companies	21,613	13,650

9. Interest payable and similar charges

	2019 £	2018 £
Loans from group undertakings	123,626	102,625

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2019

10. Taxation

	2019 £	2018 £
Corporation tax		
Corporation tax at 19% (PY 19%)	231,757	184,462
Adjustments in respect of previous periods	13,674	(5,522)
	<u>245,431</u>	<u>178,940</u>
Foreign tax		
Foreign tax on income for the year	29,768	128,407
Total current tax	<u>275,199</u>	<u>307,347</u>
Deferred tax		
Origination and reversal of timing differences	(8,581)	1,516
Effect of tax rate change on opening balance	-	4,040
Total deferred tax	<u>(8,581)</u>	<u>5,556</u>
Taxation on loss on ordinary activities	<u><u>266,618</u></u>	<u><u>312,903</u></u>

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2019

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2018 - higher than) the standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%). The differences are explained below:

	2019 £	2018 £
Profit on ordinary activities before tax	1,344,919	1,069,291
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2018 - 19.00%)	255,535	203,165
Effects of:		
Expenses not deductible for tax purposes	24,364	34,601
Fixed asset timing differences	610	429
Foreign tax	30,878	128,407
Other permanent differences	(58,341)	(52,040)
Adjustments to tax charge in respect of previous periods	12,564	(5,522)
Adjustments to tax charge in respect of previous periods - deferred tax	1,008	3,863
Total tax charge for the year	266,618	312,903

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2019

11. Tangible fixed assets

	Leasehold improvements £	Plant, machinery and motor vehicles £	Fixtures, fittings and equipment £	Total £
Cost				
At 1 July 2018	112,727	391,881	44,282	548,890
Additions	-	38,087	296	38,383
At 30 June 2019	<u>112,727</u>	<u>429,968</u>	<u>44,578</u>	<u>587,273</u>
Depreciation				
At 1 July 2018	69,243	336,253	30,207	435,703
Provided for the year	10,096	45,927	3,967	59,990
At 30 June 2019	<u>79,339</u>	<u>382,180</u>	<u>34,174</u>	<u>495,693</u>
Net book value				
At 30 June 2019	<u>33,388</u>	<u>47,788</u>	<u>10,404</u>	<u>91,580</u>
At 30 June 2018	<u>43,484</u>	<u>55,628</u>	<u>14,075</u>	<u>113,187</u>

12. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 July 2018	1,517,521
At 30 June 2019	<u>1,517,521</u>
Net book value	
At 30 June 2019	<u>1,517,521</u>
At 30 June 2018	<u>1,517,521</u>

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2019

12. Fixed asset investments (continued)

Subsidiary undertakings

The following was a subsidiary undertaking of the company:

Name	Holding	Class of shares	Principal activity
Kla - Tencor Ireland Limited	100%	Ordinary	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 2019 and the profit or loss for the year ended on that date for the subsidiary undertaking was as follows:

	Aggregate of share capital and reserves €	Profit/(Loss) €
KLA - Tencor Ireland Limited	1	1

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

13. Stocks

	2019 £	2018 £
Raw materials and consumables	26,818,123	23,046,121

14. Debtors: amounts falling due within one year

	2019 £	2018 £
Trade debtors	627,981	544,804
Amounts owed by group undertakings	5,665,487	4,378,691
Other debtors	35,847	109,350
Deferred tax (see note 17)	2,340	-
	6,331,655	5,032,845

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2019

14. Debtors: amounts falling due within one year (continued)

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £Nil (2018 - £Nil).

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

15. Creditors: amounts falling due within one year

	2019 £	2018 £
Trade creditors	78,896	219,381
Amounts owed to group undertakings	13,889,720	4,975,077
Corporation tax	77,933	164,868
Other taxation and social security	229,941	200,822
Accruals and deferred income	940,850	1,114,196
Deferred tax liability	-	6,241
	<u>15,217,340</u>	<u>6,680,585</u>

16. Creditors: amounts falling due after more than one year

	2019 £	2018 £
Trade creditors	<u>-</u>	<u>7,000,000</u>

An intercompany loan is in place with KLA - Tencor Corporation Limited. Payment of the full amount was due on 1 June 2020. This was renegotiated subsequent to the year end, and will only become due on 31 May 2024. 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.

17. Deferred taxation

	2019 £
At beginning of year	(6,241)
Charged to profit and loss	8,581
	<u>2,340</u>

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2019

17. Deferred taxation (continued)

The deferred taxation balance is made up as follows:

	2019 £	2018 £
Accelerated capital allowances	<u>2,340</u>	<u>(6,241)</u>

The deferred tax asset has been recognised in debtors (see note 14).

18. Provisions

	<i>Dilapidations provision</i> £
At 1 July 2018	47,889
At 30 June 2019	<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.

19. Share capital

	2019 £	2018 £
Allotted, called up and fully paid		
186,500 ordinary shares of £1 each	<u>186,500</u>	<u>186,500</u>

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2019

20. 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.

21. 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 £118,473 (2018 - £159,463) relating to the issuance of restricted stock units.

22. 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 £270,821 (2018 - £296,930). There were no outstanding contributions at the year end (2018 - £Nil).

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2019

23. Commitments under operating leases

At 30 June 2019 the company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
Not later than 1 year	53,617	53,419
Later than 1 year and not later than 5 years	31,476	63,683
	<u>85,093</u>	<u>117,102</u>

24. 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.

25. 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 2019. Copies of the group financial statements may be obtained from 160 Rio Robles, PO Box 49055, San Jose, CA95161-9055.