

KLA - Tencor Limited

Annual Report and Financial Statements

Year Ended

30 June 2020

Company Number 01560324

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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 2020

The directors present their strategic report together with the audited financial statements for the year ended 30 June 2020.

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 (2019 - £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 £3,033,496 (2019 - £1,344,920) with turnover of £81,409,094 (2019 - £69,585,670). The company had cash of £5,025,155 at 30 June 2020 (2019 - £3,512,552).

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.

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.

KLA - Tencor Limited

Strategic Report (continued) For the Year Ended 30 June 2020

Principal risks and uncertainties

The impact of COVID-19 still remains an area of risk and uncertainty for the business. The impact of COVID-19 on KLA Tencor UK Limited is considered to be minimal, the business is able to operate as normal, with all application engineers able to work from home, all parts are received directly from the US parent company, which is also operating as normal.

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.

Section 172 statement

This section serves as our section 172 statement and should be read in conjunction with the Strategic Report. Key stakeholder groups which we've identified are listed below, with why we focus on them and how we engage them.

Community & Environment

KLA is dedicated to complying with the appropriate and relevant environmental laws and standards such that its worldwide operations, including service and maintenance, are conducted in an environmentally responsible manner. Community KLA is committed to making a positive contribution in the communities in which we do business. We strive to build mutually respectful relationships with our global communities, providing philanthropic program support to organizations and activities free of religious, fraternal or political associations through the KLA Foundation.

Suppliers

KLA actively seek to foster business relationships with diverse suppliers who offer goods and services that meet our standards, supplier selection criteria and customer requirements. Our focus is to select partners that provide best in class quality, delivery, service and technology. Responsibility and compliance. We are committed to promoting our Corporate Social Responsibility (CSR) programs within our internal operations and with our suppliers.

Customers

Sales, Service and Marketing Our sales, service and marketing efforts are aimed at building deep long-term relationships with our customers. We focus on providing comprehensive resources for the full breadth of process control, process-enabling and yield management solutions for manufacturing and testing wafers and reticles, integrated circuits, packaging, light emitting diodes, power devices, compound semiconductor devices, microelectromechanical systems, data storage, printed circuit boards and flat and flexible panel displays, as well as general materials research. Our customers benefit from the simplified planning and coordination, as well as the increased equipment compatibility, which are realized as a result of dealing with a single supplier for multiple products and services.

KLA - Tencor Limited

Strategic Report (continued) For the Year Ended 30 June 2020

Culture

We are proud of being guided by the KLA Operating Model and reflecting the extraordinary strength of our teams, led by KLA's Core Values of Perseverance, Drive to be Better, High Performing Teams, Honest, Forthright, Consistent (HFC) and Indispensability. For many years, we've run our business with three disciplines that come together to define the KLA Operating Model. First, we apply common practices and discipline for consistent strategy and execution. Second, we manage by metrics and operate with an expectation of continuous improvement. And third, we always operate our company with financial discipline and rigor with a constant focus on enhancing shareholder value.

Investors/Shareholders

As a wholly owned subsidiary of KLA Corporation Inc. the directors of KLA Tencor Limited strive to support the group in its interactions with the groups investors. Investor are a key stakeholder for the future success of the group, and consequently investor relations are a key focus area for the directors of the group. The group board regularly engages investors on group performance following trading updates and results announcements with face to face meetings and scheduled calls.

Employees

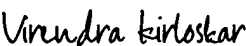
The continued strength of the group is the hard work and dedication of all the employees. We have continued to invest in existing employees who are being supported through professional training relevant to their functional areas, as well as other relevant role-specific training.

The executive directors keep staff informed of the progress and development of the company on a regular basis through formal and informal meetings and regular communications. Above all, KLA remains advocates for the holistic health and safety of our employees as well as the communities where they live and work.

Going concern

The directors have considered any risks associated with COVID-19 and Brexit, and do not view them as having a material impact on the ability of the company to continue operations for the foreseeable future. The situation and its operational and financial impact on the business will continue to be monitored on an ongoing basis. Accordingly the directors continue to adopt the going concern basis for the preparation of the financial statements.

This report was approved by the board on 4/8/2021 and signed on its behalf.

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V A Kirloskar
Director

KLA - Tencor Limited

Directors' Report For the Year Ended 30 June 2020

The directors present their report together with the audited financial statements for the year ended 30 June 2020.

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 2020 performance.

Results and dividends

The profit for the year, after taxation, amounted to £2,775,037 (2019 - £1,078,302).

The directors have not recommended the payment of a dividend (2019 - £Nil).

Directors

The directors who served during the year were:

V A Kirloskar
B D Higgins

Disclosure of information to auditor

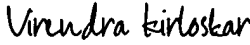
Each of the persons who are directors at the time when this directors' report is approved has confirmed that:

- 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 4/8/2021 and signed on its behalf.

DocuSigned by:

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V A Kirloskar
Director

KLA - Tencor Limited

Directors' Responsibilities Statement For the Year Ended 30 June 2020

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 2020 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

KLA - Tencor Limited

Independent Auditor's Report 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 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 body, for our audit work, for this report, or 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: 9 April 2021

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 2020**

	Note	2020 £	2019 £
Turnover	4	81,409,094	69,585,670
Cost of sales		(76,814,751)	(65,081,028)
Gross profit		4,594,343	4,504,642
Administrative expenses		(3,780,970)	(3,469,400)
Foreign exchange gain		699,091	411,691
Operating profit	5	1,512,464	1,446,933
Dividend income		1,641,800	-
Interest receivable and similar income	8	25,356	21,613
Interest payable and similar charges	9	(146,124)	(123,626)
Profit before tax		3,033,496	1,344,920
Tax on profit	10	(258,459)	(266,618)
Profit for the financial year		2,775,037	1,078,302

All amounts relate to continuing activities.

There were no recognised gains and losses for 2020 or 2019 other than those included in the statement of comprehensive income.

There was no other comprehensive income for 2020 (2019 - £Nil).

The notes on pages 12 to 27 form part of these financial statements.

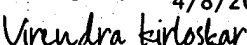
KLA - Tencor Limited

Registered number: 01560324

**Balance Sheet
As at 30 June 2020**

	Note	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Tangible assets	11		78,441		91,580
Fixed asset investments	12		1,517,521		1,517,521
			<u>1,595,962</u>		<u>1,609,101</u>
Current assets					
Stocks	13	28,943,300		26,818,123	
Debtors: amounts falling due within one year	14	5,886,546		6,331,655	
Cash at bank and in hand		5,025,155		3,512,553	
		<u>39,855,001</u>		<u>36,662,331</u>	
Creditors: amounts falling due within one year	15	(15,621,834)		(15,217,340)	
Net current assets			<u>24,233,167</u>		<u>21,444,991</u>
Total assets less current liabilities			<u>25,829,129</u>		<u>23,054,092</u>
Provisions for liabilities					
Provision	17		(47,889)		(47,889)
Net assets			<u>25,781,240</u>		<u>23,006,203</u>
Capital and reserves					
Called up share capital	18	186,500		186,500	
Other reserves	19	7,500,000		7,500,000	
Profit and loss account	19	18,094,740		15,319,703	
Total equity			<u>25,781,240</u>		<u>23,006,203</u>

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

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V A Kirloskar
Director

The notes on pages 12 to 27 form part of these financial statements.

KLA - Tencor Limited

Statement of Changes in Equity For the Year Ended 30 June 2020

	Called up share capital	Capital contributions	Profit and loss account	Total equity
	£	£	£	£
At 1 July 2019	186,500	7,500,000	15,319,703	23,006,203
Comprehensive income for the year				
Profit for the year	-	-	2,775,037	2,775,037
Total comprehensive income for the year	-	-	2,775,037	2,775,037
At 30 June 2020	186,500	7,500,000	18,094,740	25,781,240

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

The notes on pages 12 to 27 form part of these financial statements.

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

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 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 11.42, 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 2020 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 2020

2. Accounting policies (continued)

2.4 Going concern

The directors have considered any risks associated with COVID-19 and Brexit, and do not view them as having a material impact on the ability of the company to continue operations for the foreseeable future. The situation and its operational and financial impact on the business will continue to be monitored on an ongoing basis.

The directors have considered the cash flow requirements for the group for a period at least twelve months from the date of approval of these financial statements. Based on these projections, the directors consider the company will have sufficient cash resources during this period to pay all of its liabilities as they fall due and therefore consider it appropriate to continue to prepare the accounts on a going concern basis.

2.5 Foreign currency translation

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

2.6 Turnover

Turnover represents the total invoice value of sales, excluding value added tax, made during the year.

Turnover is derived from amounts invoiced to other group undertakings for sales promotion, equipment installation and warranty services to customers as well as amounts invoiced to customers in respect of maintenance work and product sales.

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

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

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

2.7 Operating leases

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

2.8 Interest income

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

2.9 Finance costs

Finance costs are charged to 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.

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

2. Accounting policies (continued)

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.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

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.

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

2. Accounting policies (continued)

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.

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

2. Accounting policies (continued)

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.

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss 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.

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

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 22)

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.

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.

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

4. Turnover

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

	2020 £	2019 £
Field service sales	6,054,141	5,895,808
Application revenue	558,187	67,856
Intercompany sales	74,796,766	63,622,006
	81,409,094	69,585,670

Analysis of turnover by country of destination:

	2020 £	2019 £
United Kingdom	3,260,009	3,253,657
Sales - Rest of Europe	42,108,731	34,367,509
United States of America	30,760,745	25,455,842
Rest of the world	5,279,609	6,508,662
	81,409,094	69,585,670

5. Operating profit

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

	2020 £	2019 £
Services provided by the company's auditor:		
- fees payable for the audit	46,500	44,400
- fees payable for other services - tax compliance	10,500	10,000
- all other services	3,600	3,225
Depreciation of tangible owned fixed assets	37,363	59,990
Operation lease charges:		
- land and buildings	52,982	49,236
- plant and machinery	4,383	4,383
Exchange gain arising on translation of foreign currencies	698,982	411,691

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

6. Employees

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

	2020 £	2019 £
Wages and salaries	2,032,620	2,372,081
Social security costs	669,445	341,420
Share based payment - fair value of employee services (see note 20)	35,877	118,473
Pension costs (see note 21)	225,004	270,821
	<u>2,962,946</u>	<u>3,102,795</u>

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

	2020 No.	2019 No.
Engineering and servicing	18	18
Selling and distribution	2	2
Administration	5	5
	<u>25</u>	<u>25</u>

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 (2019 - £Nil) under defined contribution pension schemes.

8. Interest receivable and similar income

	2020 £	2019 £
Interest receivable from group companies	<u>25,356</u>	<u>21,613</u>

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

9. Interest payable and similar charges

	2020 £	2019 £
Loans from group undertakings	<u>146,124</u>	<u>123,626</u>

10. Taxation

	2020 £	2019 £
Corporation tax		
Corporation tax at 19% (PY 19%)	303,264	231,757
Adjustments in respect of previous periods	7,064	13,674
	<u>310,328</u>	<u>245,431</u>
Foreign tax		
Foreign tax on income for the year	(18,038)	29,768
Total current tax	<u>292,290</u>	<u>275,199</u>
Deferred tax		
Origination and reversal of timing differences	4,233	(8,581)
Effect of tax rate change on opening balance	(76)	-
Adjustments to tax charge in respect of previous periods	(37,988)	-
Total deferred tax	<u>(33,831)</u>	<u>(8,581)</u>
Taxation on profit on ordinary activities	<u>258,459</u>	<u>266,618</u>

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2019 - lower than) the standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%). The differences are explained below:

	2020 £	2019 £
Profit on ordinary activities before tax	3,033,496	1,344,919
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.00% (2019 - 19.00%)	576,364	255,535
Effects of:		
Expenses not deductible for tax purposes	90,920	24,364
Fixed asset timing differences	1,099	610
Income not taxable for tax purposes	(311,942)	-
Foreign tax	31,767	30,878
Other permanent differences	(70,107)	(58,341)
Adjustments to tax charge in respect of previous periods	(25,401)	12,564
Adjustments to tax charge in respect of previous periods - deferred tax	(37,988)	1,008
Deferred tax on share options	3,822	-
Remeasurement of deferred tax for changes in tax rates	(75)	-
Total tax charge for the year	258,459	266,618

Factors that may affect future tax charges

There are no factors that may affect future tax charges.

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

11. Tangible fixed assets

	Leasehold improvements £	Plant, machinery and motor vehicles £	Fixtures, fittings and equipment £	Total £
Cost				
At 1 July 2019	112,727	429,968	44,578	587,273
Additions	1	32,600	3,320	35,921
Disposals	-	(11,697)	-	(11,697)
At 30 June 2020	112,728	450,871	47,898	611,497
Depreciation				
At 1 July 2019	79,339	382,180	34,174	495,693
Charge for the year	10,096	22,765	4,502	37,363
At 30 June 2020	89,435	404,945	38,676	533,056
Net book value				
At 30 June 2020	23,293	45,926	9,222	78,441
At 30 June 2019	33,388	47,788	10,404	91,580

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

12. Fixed asset investments

	Investments in subsidiary companies £
Cost or valuation	
At 1 July 2019	1,517,521
At 30 June 2020	<u>1,517,521</u>
Net book value	
At 30 June 2020	<u>1,517,521</u>
At 30 June 2019	<u>1,517,521</u>

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 2020 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	<u>5,681,850</u>	<u>736,869</u>

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

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

13. Stocks

	2020 £	2019 £
Raw materials and consumables	<u>28,943,300</u>	<u>26,818,123</u>

14. Debtors: amounts falling due within one year

	2020 £	2019 £
Trade debtors	575,234	627,981
Amounts owed by group undertakings	5,184,071	5,665,487
Other debtors	91,070	35,847
Deferred tax (see note 17)	36,171	2,340
	<u>5,886,546</u>	<u>6,331,655</u>

The impairment loss recognised in profit or loss for the year in respect of bad and doubtful trade debtors was £Nil (2019 - £Nil).

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

15. Creditors: amounts falling due within one year

	2020 £	2019 £
Trade creditors	468,656	78,896
Amounts owed to group undertakings	13,476,921	13,889,720
Corporation tax	151,798	77,933
Other taxation and social security	470,989	229,941
Accruals and deferred income	1,053,470	940,850
	<u>15,621,834</u>	<u>15,217,340</u>

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

16. Deferred taxation

	2020 £
At beginning of year	2,340
Charged to profit or loss	33,831
At end of year	36,171

The deferred tax asset is made up as follows:

	2020 £	2019 £
Fixed asset timing differences	(3,520)	(983)
Short term timing differences	3,830	3,323
Other	35,861	-
	36,171	2,340

17. Provisions

	Dilapidations provision £
At 1 July 2019	47,889
At 30 June 2020	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.

18. Share capital

	2020 £	2019 £
Allotted, called up and fully paid		
186,500 ordinary shares of £1 each	186,500	186,500

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

19. 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.

20. 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 £35,877 (2019 - £118,473) relating to the issuance of restricted stock units.

21. 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 £255,004 (2019 - £270,821). There were no outstanding contributions at the year end (2019 - £Nil).

KLA - Tencor Limited

Notes to the Financial Statements For the Year Ended 30 June 2020

22. Commitments under operating leases

At 30 June 2020 the company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2020 £	2019 £
Not later than 1 year	57,366	53,617
Later than 1 year and not later than 5 years	75,678	31,476
	<u>133,044</u>	<u>85,093</u>

23. 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.

24. 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 2020. Copies of the group financial statements may be obtained from 160 Rio Robles, PO Box 49055, San Jose, CA95161-9055.