

KLA - Tencor Limited

Report and Financial Statements

Year Ended

30 June 2014

Company Number 1560324

FRIDAY



A442UPEA

A44

27/03/2015

#19

COMPANIES HOUSE

BDO

KLA - Tencor Limited

**Report and financial statements
for the year ended 30 June 2014**

Contents

Page:

1	Strategic report
3	Report of the directors
5	Independent auditor's report
7	Profit and loss account
8	Balance sheet
9	Notes forming part of the financial statements

Directors

B M Martin
V A Kirloskar

Secretary and registered office

Abogado Nominees Limited, 100 New Bridge Street, London, EC4V 6JA

Company number

1560324

Auditors

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

KLA - Tencor Limited

Strategic report for the year ended 30 June 2014

The directors present their strategic report together with the audited financial statements for the year ended 30 June 2014.

Results and dividends

The profit and loss account for the year is set out on page 7. On 23 July 2013 a dividend of £26.36 per ordinary share was declared and paid.

Business review

The results for the UK company show a pre-tax profit of £4,854,402 (2013 - £1,567,081) with sales of £49,843,547 (2013 - £49,406,961). The company had cash of £5,578,880 at 30 June 2014 (2013 - £5,140,910)

The principle activities and trading environment of KLA-Tencor Limited remain the same as in prior years. The semi-conductor equipment market is driven by technology, and the market is cyclical. The continuing evolution of semi-conductor devices to smaller line width geometries and more complex multi-level circuitry has significantly increased the cost and performance requirements of the capital equipment used to manufacture these devices. Our process control and yield management solutions enable our customers to improve their return on investment on this equipment.

KLA-Tencor's group strategy is to maximize its market share. As a service provider, the strategy is to maximize our customers' use of KLA-Tencor Limited for the servicing of KLA-Tencor Corporation tools. Our staff are trained and certified in the servicing of KLA-Tencor Corporation tools and yield management solutions, ensuring world class service offerings.

KLA-Tencor Corporation believes that continued and timely development of new products and enhancements to existing products are necessary to maintain its competitive position.

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

Principle risks and uncertainties

Our operating results may not follow any past trends but we believe the following could make our results fluctuate:

- Foreign exchange movement
- Cyclical nature of the semi-conductor market
- Global economic uncertainty
- Competitive pressure
- Our customers' acceptance and adoption of the new products and technologies
- Our ability to protect our intellectual property.

Market, credit and liquidity risks are managed by the KLA-Tencor Corporation internal management team and their external investment managers.

The company has received confirmation from its parent that it will provide full support as is necessary for the company to continue to trade and meet its liabilities as they fall due for at least 12 months from the approval of the financial statements.

KLA - Tencor Limited

Strategic report
for the year ended 30 June 2014 (continued)

Key Performance Indicators


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

In FY14, the method of recording these measurements was changed from a point scoring method to a percentage method. This reflects the Corporate Annual Incentive Bonus Plan for 1st July 2013 to 30 June 2014 which is intended to motivate participants to achieve key company objectives. The key measurements have not changed.

The final results were: Customer Focus - 110%, Company Growth - 90%, Operational Excellence - 90% and Talent Management - 120%. The company has made internal changes this year to best focus on our customers and retaining our highly trained employees which is reflected in the final scores.

Approval

This strategic report was approved on behalf of the Board on 13/3/15


V A Kinoskar

Director

KLA - Tencor Limited

Report of the directors for the year ended 30 June 2014

The directors present their report together with the audited financial statements for the year ended 30 June 2014.

Principal activities

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

The company operates branches in the Netherlands and Belgium.

Directors

The directors of the company during the year were:

B M Martin
V A Kirloskar

Directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

KLA - Tencor Limited

Report of the directors
for the year ended 30 June 2014 (*continued*)

Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

The auditors, BDO LLP, are deemed to be reappointed in accordance with section 487 of the Companies Act 2006.

On behalf of the Board


V A Kirloskar
Director

Date

13/3/15.

0

KLA - Tencor Limited

Independent auditor's report

TO THE MEMBERS OF KLA - TENCOR LIMITED

We have audited the financial statements of KLA - Tencor Limited for the year ended 30 June 2014 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2014 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the strategic report and directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

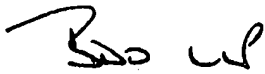
KLA - Tencor Limited

Independent auditor's report (*continued*)

Matters on which we are required to report by exception

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

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



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

Date *24 March 2015*

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

KLA - Tencor Limited

Profit and loss account for the year ended 30 June 2014

	Note	2014 £	2013 £
Turnover	2	49,843,547	49,406,961
Cost of sales		(43,857,596)	(45,888,192)
Gross profit		5,985,951	3,518,769
Administrative expenses		(4,820,735)	(2,905,795)
Foreign exchange (loss)/gain		(1,228,306)	952,402
Total administrative expenses		(6,049,041)	(1,953,393)
Operating (loss)/profit	3	(63,090)	1,565,376
Other interest receivable and similar income		1,992	1,705
Interest payable and similar charges		-	-
Income from shares in group undertakings	7	4,915,500	-
Profit on ordinary activities before taxation		4,854,402	1,567,081
Taxation on profit from ordinary activities	6	111,248	(235,853)
Profit on ordinary activities after taxation	15	4,965,650	1,331,228

All amounts relate to continuing activities.

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

The notes on pages 9 to 19 form part of these financial statements.

KLA - Tencor Limited

Balance sheet at 30 June 2014

<i>Company number 1560324</i>	Note	2014 £	2014 £	2013 £	2013 £
Fixed assets					
Tangible assets	8		277,510		47,960
Investments	9		1,517,521		1,517,521
			<u>1,795,031</u>		<u>1,565,481</u>
Current assets					
Stocks	10	11,641,864		13,093,434	
Debtors	11	4,422,070		5,036,550	
Cash at bank and in hand		5,578,880		5,140,910	
		<u>21,642,814</u>		<u>23,270,894</u>	
Creditors: amounts falling due within one year	12	(4,829,362)		(5,598,342)	
		<u></u>		<u></u>	
Net current assets			16,813,452		17,672,552
Total assets less current liabilities			<u>18,608,483</u>		<u>19,238,033</u>
Provisions for liabilities	13		(47,889)		(47,889)
			<u></u>		<u></u>
Net assets			<u>18,560,594</u>		<u>19,190,144</u>
Capital and reserves					
Called up share capital	14		186,500		186,500
Capital contribution	15		7,500,000		7,500,000
Profit and loss account	15		10,874,094		11,503,644
			<u></u>		<u></u>
Shareholders' funds	16		<u>18,560,594</u>		<u>19,190,144</u>

The financial statements were approved by the Board of Directors and authorised for issue on 13/3/15


V/A Kirloskar
Director

The notes on pages 9 to 19 form part of these financial statements.

KLA - Tencor Limited

Notes forming part of the financial statements for the year ended 30 June 2014

1 Accounting policies

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

The following principal accounting policies have been applied:

Going concern

The financial statements have been prepared on a going concern basis. The company has received confirmation from its parent company that it will provide full support as is necessary for the company to continue to trade and meet its liabilities as they fall due for at least 12 months from the approval of the financial statements.

Consolidated financial statements

The company is exempt under section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included in the full consolidated financial statements of its parent, KLA-Tencor Corporation. These financial statements therefore present information about the company and not about its group.

Turnover

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

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

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

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

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

Tangible fixed assets and depreciation

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

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

Leasehold improvements	-	Shorter of 15 years or remaining period of lease
Plant, machinery and motor vehicles	-	2 - 5 years
Fixtures, fittings and equipment	-	2 - 5 years

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price.

KLA - Tencor Limited

Notes forming part of the financial statements
for the year ended 30 June 2014 (*continued*)

1 Accounting policies (*continued*)

Foreign currencies

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

Investments

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

Taxation

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

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

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

Operating leases

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

Pension costs

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

Related parties

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

Cash flow statement

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

KLA - Tencor Limited

Notes forming part of the financial statements
for the year ended 30 June 2014 (continued)

1 Accounting policies (continued)

Provisions

The company recognises a provision where a legal or constructive obligation exists at the balance sheet date and a reliable estimate can be made of the likely outcome.

Share based payments

The ultimate parent company, KLA-Tencor Corporation, operates equity-settled, share-based compensation plans. Certain employees of the company receive awards of options or restricted stock under these plans. The fair value of the employee services received in exchange for these awards is recognised as an expense. The total amount to be expensed over the vesting period is determined by the fair value of the awards granted. At each balance sheet date, the company revises its estimate of the awards that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to the profit and loss reserve.

Upon exercise, KLA-Tencor Corporation makes a recharge to the company in respect of certain share awards granted to the company's employees.

When incurred, these intercompany charges are offset in the profit and loss reserve against the share based payment charge, the excess is treated as a distribution from the company to its parent.

Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

2 Turnover

The geographical analysis of turnover by destination is as follows:

	2014 £	2013 £
United Kingdom	2,298,401	2,956,512
Rest of Europe	24,171,136	24,203,785
United States of America	20,253,869	19,558,532
Rest of world	3,120,141	2,688,132
	<u>49,843,547</u>	<u>49,406,961</u>

KLA - Tencor Limited

Notes forming part of the financial statements for the year ended 30 June 2014 (continued)

3 Operating (loss)/profit

	2014 £	2013 £
This is arrived after charging/(crediting):		
Services provided by the company's auditor:		
- fees payable for the audit	40,000	39,000
- fees payable for other services - tax compliance	9,650	8,900
- all other services	2,650	2,250
Depreciation of tangible owned fixed assets	72,674	30,058
Operating lease charges:		
- land and buildings	30,267	31,302
- plant and machinery	4,936	8,302
Exchange loss/(gain) arising on translation of foreign currencies	1,228,306	(952,402)
	<hr/>	<hr/>

4 Wages and salaries

	2014 £	2013 £
Staff costs (including directors) consist of:		
Wages and salaries (including directors' remuneration)	2,694,524	2,389,365
Social security costs	333,506	354,395
Share based payment - fair value of employee services (note 19)	161,004	99,889
Pension costs (note 18)	354,448	339,796
	<hr/>	<hr/>
	3,543,482	3,183,445
	<hr/>	<hr/>

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

	2014 Number	2013 Number
Engineering and servicing	18	18
Selling and distribution	4	4
Administration	10	10
	<hr/>	<hr/>
	32	32
	<hr/>	<hr/>

5 Directors

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

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

No retirement benefits are accruing to directors (2013 - Nil) under defined contribution pension schemes.

KLA - Tencor Limited

Notes forming part of the financial statements
for the year ended 30 June 2014 (continued)

6	Taxation on profit from ordinary activities	2014	2013
		£	£
	<i>Current tax</i>		
	UK corporation tax at 22.50% (2013 - 23.75%)	-	234,629
	Double tax relief	-	(58,897)
	Overseas tax	37,098	58,897
	Adjustment in respect of prior years	3,661	(291)
		<hr/>	<hr/>
	Total current tax	40,759	234,338
	<i>Deferred tax</i>		
	Origination and reversal of timing differences	(156,603)	1,515
	Effect of tax rate change on opening balance	4,596	-
		<hr/>	<hr/>
	Total deferred tax	(152,007)	1,515
		<hr/>	<hr/>
	Taxation on profit on ordinary activities	(111,248)	235,853
		<hr/>	<hr/>
	The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The differences are explained below:		
		2014	2013
		£	£
	Profit on ordinary activities before tax	4,854,402	1,567,081
		<hr/>	<hr/>
	Profit on ordinary activities at the standard rate of corporation tax in the UK of 22.50% (2013 - 23.75%)	1,092,240	372,182
	Effects of:		
	Expenses not deductible for tax purposes	2,423	3,370
	Other short term timing difference	36,488	29,271
	Accelerated capital allowances	(53,982)	(6,956)
	Foreign tax	37,098	-
	Adjustments to tax charge in respect of previous period	3,661	(291)
	Other permanent differences	(192,745)	(123,996)
	Income not taxable for tax purposes	(1,106,055)	(39,242)
	Unrelieved tax losses and other deductions arising in the period	221,631	-
		<hr/>	<hr/>
	Current tax charge for year	40,759	234,338
		<hr/>	<hr/>
7	Dividends	2014	2013
		£	£
	Ordinary shares		
	Interim paid of 26.36p (2013 - Nil) per £1 share	4,915,500	-
		<hr/>	<hr/>

KLA - Tencor Limited

Notes forming part of the financial statements
for the year ended 30 June 2014 (continued)

8 Tangible fixed assets

	Leasehold improvements £	Plant, machinery and motor vehicles £	Fixtures, fittings and equipment £	Total £
<i>Cost</i>				
At 1 July 2013	62,097	108,278	20,289	190,664
Additions	-	302,224	-	302,224
Disposals	-	-	-	-
At 30 June 2014	62,097	410,502	20,289	492,888
<i>Depreciation</i>				
At 1 July 2013	32,950	90,117	19,637	142,704
Provided for the year	2,712	69,550	412	72,674
Disposals	-	-	-	-
At 30 June 2014	35,662	159,667	20,049	215,378
<i>Net book value</i>				
At 30 June 2014	26,435	250,835	240	277,510
At 30 June 2013	29,147	18,161	652	47,960

The net book value of fixed assets includes an amount of £Nil (2013 - £Nil) within equipment and motor vehicles in respect of assets held under finance leases.

9 Investments

	£
At 1 July 2013 and at 30 June 2014	1,517,521

Investments represent the Company's interest in its wholly owned subsidiary undertaking KLA - Tencor Ireland Limited, a company registered in Ireland. The company also held a 100% holding in KLA-Tencor (Service) Limited, a previously dormant company registered in United Kingdom which was dissolved on 16 October 2012.

Subsidiary undertaking	Nature of business	% Ordinary shares and voting rights	Country of registration
KLA - Tencor Ireland Limited	Trading - Providing maintenance services to customers in the semi-conductor industry	100	Ireland

KLA - Tencor Limited

Notes forming part of the financial statements for the year ended 30 June 2014 (continued)

9 Investments (continued)

The following table shows, for each investment, the amount of capital and reserves at the end of the most recent financial year, and the profit or loss for that year.

Subsidiary undertaking	Year ended	Profit for the year €	Capital and reserves €
KLA - Tencor Ireland Limited	30 June 2014	477,821	4,031,203

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

10 Stocks

	2014 £	2013 £
Raw materials and consumables	11,641,864	13,093,434

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

11 Debtors

	2014 £	2013 £
Trade debtors	514,920	432,812
Amounts owed by group undertakings	3,618,841	3,627,115
Other debtors and prepayments	101,069	273,586
Deferred tax (see note 13)	187,240	35,233
VAT debtor	-	667,804
	<u>4,422,070</u>	<u>5,036,550</u>

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

12 Creditors: amounts falling due within one year

	2014 £	2013 £
Trade creditors	94,381	157,738
Amounts owed to group undertakings	3,337,408	4,577,109
Other taxation and social security	251,898	133,035
Accruals and other creditors	979,621	718,145
Deferred income	130,098	9,905
Corporation tax	35,956	2,410
	<u>4,829,362</u>	<u>5,598,342</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

KLA - Tencor Limited

Notes forming part of the financial statements
for the year ended 30 June 2014 (continued)

13 Provisions for liabilities

	Dilapidations provision £
At 1 July 2013 and at 30 June 2014	47,889

The provision represents the expected future costs to be incurred in accordance with the lease agreements, to repair the properties to their state at the commencement of the lease.

Deferred tax asset provided at year-end comprises:

	2014 £	2013 £
Accelerated capital allowances	23,215	28,480
Short term timing differences	(6,042)	6,753
Losses and other deductions	(204,413)	-
	<u>187,240</u>	<u>35,233</u>
1 July 2013	35,233	36,748
Deferred tax in the profit and loss account (note 6)	152,007	(1,515)
	<u>187,240</u>	<u>35,233</u>
30 June 2014	<u>187,240</u>	<u>35,233</u>

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

14 Called-up share capital

	2014 £	2013 £
<i>Allotted called-up and fully paid</i> 186,500 ordinary shares of £1 each	186,500	186,500

15 Reserves

	Capital contribution £	Profit and loss account £
At 1 July 2013	7,500,000	11,503,644
Profit for the financial year	-	4,965,650
Share based payment - distribution	-	(679,700)
Dividends paid	-	(4,915,500)
	<u>7,500,000</u>	<u>10,874,094</u>
At 30 June 2014	<u>7,500,000</u>	<u>10,874,094</u>

KLA - Tencor Limited

Notes forming part of the financial statements
for the year ended 30 June 2014 (continued)

16 Reconciliation of movements in shareholders' funds

	2014 £	2013 £
Profit for the year	4,965,650	1,331,228
Dividends paid	(4,915,500)	-
Share based payment	161,004	99,889
Intercompany recharge - share based payment	(840,704)	(550,436)
	<hr/>	<hr/>
Net increase in shareholders' (deficit)/funds	(629,550)	880,681
Opening shareholders' funds	19,190,144	18,309,463
	<hr/>	<hr/>
Closing shareholders' funds	18,560,594	19,190,144
	<hr/>	<hr/>

17 Financial commitments

At 30 June 2014 the company had annual commitments under non-cancellable operating leases as follows:

	2014 Land and buildings £	2014 Plant and machinery £	2013 Land and buildings £	2013 Plant and machinery £
Operating leases which expire:				
Within one year	-	-	-	-
In two to five years	18,167	4,932	25,650	4,542
Over five years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	18,167	4,932	25,650	4,542
	<hr/>	<hr/>	<hr/>	<hr/>

18 Pension scheme

The company operated a number of defined contribution pension schemes during the year. The assets of these schemes are held separately from those of the company in independently administered funds. The pension cost charge includes contributions payable by the company to these funds and amounted to £354,448 (2013 - £339,796). There were no outstanding contributions at the year-end (2013 - Nil).

KLA - Tencor Limited

Notes forming part of the financial statements for the year ended 30 June 2014 (continued)

19 Share based payments

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

Since 1 July 2006, the Company has granted only restricted stock units under its equity incentive program.

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

The company has granted only restricted stock units under its equity incentive program since August 1 2006. From 1 October 2012 no further grants will occur on equity incentive program. In replacement a new LTIP (Long Term Incentive Policy) was implemented in the year.

The expense recognised for share-based payments in respect of employee services received during the year to 30 June 2014 is £161,004 (2013 - £99,889). The portion of that expense arising from stock options is £Nil (2013 - debit of £Nil) and restricted share units is £161,004 (2013 - £99,889).

Stock options

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

	2014 Number	2014 WAEP	2013 Number	2013 WAEP
Outstanding as at 1 July	21,212	£31.88	41,023	£29.95
Forfeited during the year	-	-	-	-
Exercised	(19,091)	£30.25 ¹	(19,361)	£28.75 ²
Expired/adjusted during the year	(276)	£11.14	(450)	£27.74
Transfer/adjusted during the year	-	-	-	-
	<hr/>		<hr/>	
Outstanding at 30 June	1,845	£23.20	21,212	£31.88
	<hr/>		<hr/>	
Exercisable at 30 June	1,845	£23.20	21,212	£31.88
	<hr/>		<hr/>	

1. The weighted average share price at the date of exercise for the options exercised is £37.23.
2. The weighted average share price at the date of exercise for the options exercised is £34.64.

KLA - Tencor Limited

Notes forming part of the financial statements for the year ended 30 June 2014 (continued)

19 Share based payments (continued)

For the share options outstanding as at 30 June 2014, the weighted average remaining contractual life is 0.5 years (2013 - 0.8 years).

No options were granted in the years ended 30 June 2014 and 2013. The range of exercise prices for options outstanding at the end of the year was £22.82 - £23.88 (2013 - £25.55 - £38.20).

Restricted Stock Units (RSU's)

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

	2014 Number	2013 Number
Outstanding as at 1 July	35,222	45,430
Granted during the year	3,112	3,140
Forfeited during the year	-	(125)
Vested/released	(18,145) ¹	(13,223) ²
	<hr/>	<hr/>
Outstanding at 30 June	20,189	35,222
	<hr/>	<hr/>
Unvested at 30 June	20,189	35,222
	<hr/>	<hr/>

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

2. The weighted average share price at the date of release for the awards is £31.60.

For the restricted stock units outstanding as at 30 June 2014, the weighted average remaining contractual life is 1 year (2013 - 1 year).

The weighted average fair value of RSUs granted during the year was £32.50 (2013 - £29.40).

Valuation assumptions

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

There are no cash settled options as at 30 June 2014 (2013 - Nil).

20 Ultimate parent undertaking and controlling party

The directors regard KLA-Tencor Corporation, a company incorporated in the United States of America, as the immediate and ultimate parent company and controlling party. This company is also the parent of the smallest and largest group to consolidate the results of the company. According to the register kept by the Company, KLA-Tencor Corporation has a 100% interest in the equity capital of KLA - Tencor Limited at 30 June 2014. Copies of the group financial statements may be obtained from 160 Rio Robles, PO Box 49055, San Jose, CA95161-9055.