Align-Rite Limited

Report and financial statements for the year ended 31 March 1999

Registered No 1685977

Align-Rite Limited

Report and financial statements for the year ended 31 March 1999

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Report of the Directors

The directors present their report together with the financial statements for the year ended 31 March 1999.

Principal activity and business review

The principal activity of the company is the production and marketing of photomasks for the semiconductor industry. Sales and profits for the year reflect the competitive market in which the company operates. The Directors are satisfied that in view of expected future trading patterns, the Company will remain a competitive force in the European photomask industry.

Post balance sheet event

On 15 September 1999, the Board announced plans to merge with Phototronics Inc, to create the world's largest Photomask supplier. Details are included in Note 27 to the financial statements.

Results and dividends

The profit for the year, after taxation, amounted to £1,453,865 (1998 : £1,603,895). The directors do not recommend the payment of a dividend.

Significant changes in tangible fixed assets

The movements in tangible fixed assets during the year are set out in note 8 to the financial statements.

Policy on payment of creditors

It is company policy to comply with the terms of payment agreed with suppliers. Where payment terms are not negotiated the company endeavours to adhere with the suppliers' standard terms. The average payment term in respect of the year was 71 days.

Contributions for charitable and political purposes

During the year there were charitable donations, which amounted to £975 (1998: £500). There were no political donations (1998: Nil).

Align-Rite Limited

Directors

The persons who were directors of the company during the year were as follows:-

J L MacDonald Jnr	(Chairman)
M Lewis	(Deputy chairman)
W E Evans	
D J Varloud	(Resigned – 23/11/98)
J R Lee	(Resigned – 01/11/98)
P Katurich	(Secretary)
R J Lloyd	
A Duncan	(Resigned – 20/08/98)
D Driscoll	(Appointed - 28/10/98)

Directors' interests in shares

The directors who held office at 31 March 1999 had the following interests in the shares of the company and group companies:

	Company	Description of shares	Number of shares at 31/3/99	Number of Shares at 31/3/98
J L MacDonald Jnr	ARI Inc	Common stock of 1 cent each	459,000	460,200
M Lewis	ARI Inc	Common stock of 1 cent each	2,445	2,445
R J Lloyd	ARI Inc	Common stock of 1 cent each	0	0
P N Katurich	ARI Inc	Common stock of 1 cent each	0	0
D Driscoll	ARI Inc	Common stock of 1 cent each	109	0
W E Evans	ARI Inc	Common stock of 1 cent each	0	0

Directors' interests in shares continued

Details of the interests of the directors in share options of Align-Rite International Inc. at 31 March 1999 were:

	Options at 1 April 1998	Options granted *In year* (Ordinary shares)	Exercised	*Options at* 31 March 1999	Option *price* $
J L MacDonald	100,000	-	-	*100,000	1.250
	115,000	-	-	*115,000	2.590
	111,396	-	-	111,396	3.320
P Katurich	2,500	-	-	*2,500	0.800
	7,500	-	-	*7,500	1.250
	2,000	-	-	2,000	8.250
	2,500	-	-	2,500	13.000
	-	3,600	-	3,600	14.500
	-	4,200	-	4,200	11.625
M Lewis	1,000	-	-	1,000	10.750
	1,000	-	-	1,000	16.250
	-	1,000	-	1,000	10.375
W E Evans	1,000	-	-	1,000	10.750
	1,000	-	-	1,000	16.250
	-	1,000	-	1,000	10.375
R J Lloyd	1,750	-	-	*1,750	0.800
	7,500	-	-	*7,500	1.250
	1,000	-	-	1,000	8.250
	2,000	-	-	2,000	13.000
	1,000	-	-	1,000	16.250
	-	3,600	-	3,600	14.500
	-	4,200	-	4,200	11.625
D Driscoll	500	-	-	500	8.250
	500	-	-	500	13.000
	1,000	-	-	1,000	16.250
	-	2,400	-	2,400	14.500
	-	3,000	-	3,000	11.625

* These options are capable of being exercised by the directors. The remaining options are capable of being exercised over periods ranging from 3 to 10 years from the date of grant of the option.

No other directors who held office at 31 March 1999 had any interests in the shares of the company or the group.

Year 2000 and euro costs

Background

The Company has recognised the critical issue regarding how existing application software programs, operating systems and embedded computer chips can accommodate the year 2000 date value. The Company has a year 2000 project team in place with overall responsibility for the Company's year 2000 compliance programs. In addition, executive management regularly monitors the status of the Company's year 2000 remediation plans.

Project

The Company has identified potential year 2000 risks in four categories: Software Information Systems Manufacturing Engineering facilities; internal business software and information technology systems; systems other than information technology systems ("Non-IT systems"); and third-party suppliers to the Company. The Company's year 2000 project includes the following phases for the first three categories above:

(1) identifying year 2000 risks;
(2) assigning priorities to identified risks;
(3) testing year 2000 compliance for risks determined to be material to the Company;
(4) correcting problems determined to be material and not year 2000 compliant;
(5) retesting corrections that have been implemented; and
(6) developing contingency plans.

With respect to the Company's third-party suppliers, the Company's year 2000 project consists of the following phases:

(1) contacting critical suppliers for information concerning their year 2000 readiness;
(2) prioritising suppliers as to relative importance;
(3) validating supplier responses regarding year 2000 compliance.

Assessment

The product that the Company sells to customers consists of no date related issues; therefore, the Company believes that its current product offerings are year 2000 compliant.

Internal business software and systems consist primarily of the Company's business information systems in the United States and Europe. The Company has completed its initial year 2000 project phases with respect to its business systems, and is in the process of developing, implementing and testing the necessary modifications. The Company believes that its internal business software and systems will be year 2000 compliant. However, if the Company's business systems are not year 2000 compliant, the Company could experience interruptions to its production process, development programs and general business operations. The Company has been advised by the suppliers of its manufacturing equipment, which consist primarily of micro-lithography writing tools, process and inspection tools in the various buildings the Company occupies, that such systems are year 2000 compliant.

Third-party suppliers provide raw materials and in some case manufacturing services incorporated by the Company into the products and systems it sells. The Company has required that each of its key suppliers certify whether they are year 2000 compliant. The Company has also prioritized its suppliers as critical or non-critical to the Company's business. Based on information received from these suppliers, the Company estimates that approximately 80% of its critical suppliers are presently year 2000 compliant. The Company plans to monitor its critical suppliers and either develop alternate sources of increased inventory levels prior to the year 2000 for those suppliers considered to be at risk of not achieving year 2000 compliance. However, there can be no assurance that such alternate sources will be available or what adequate inventory levels will be attainable if necessary, and the Company could experience raw materials and or parts shortages and production interruptions if one or more key third-party suppliers experience year 2000 problems.

Costs

Incremental costs of the Company's year 2000 project have primarily consisted of upgrades to the Company's existing manufacturing and inspection equipment. Such costs in aggregate have not been material to the Company's financial position, results of operations or cash flows. The balance of the effort for the Company's year 2000 project has been by employees of the Company whose costs for this project are not tracked separately. The Company currently believes that costs for the remainder of the year 2000 compliance project will not be material to the Company's financial position, results of operations or cash flows.

Risks

The Company's results of operations, financial condition and cash flows could be materially and adversely affected if the Company or any of its critical suppliers or customers do not achieve year 2000 compliance. Although the Company's year 2000 compliance project is expected to minimize the Company's risks of experiencing a year 2000 problem, inherent risks and uncertainties exist despite the Company's efforts. There can be no assurance that a failure on the part of the Company, its products, its suppliers or its customers will not be disruptive on the Company's business. As a result of these uncertainties the Company is unable to determine at this time whether the consequences of year 2000 failures will have a material effect on the Company's results of operations, financial condition or cash flows.

The Company's results of operations, financial condition and cash flows have not to date been materially and adversely affected as a result of any of its critical suppliers or customers not achieving year 2000 compliance. At this time there do not appear to be any effects on the Company's results of operations, financial conditions or cash flows.

Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the annual general meeting.

By order of the Board

Peter Kat

Secretary,

25 **, January 2000**

Statement of Directors' Responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 1999. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

By order of the board

Secretary
25, **January 2000**

Report of the auditors to the members of Align-Rite Limited

We have audited the financial statements on pages 9 to 23, which have been prepared in accordance with the historical cost convention and the accounting policies set out on page 9 and 10.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 7 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 March 1999 and of its profit and cashflows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Cardiff
28**, January 2000**

Principal accounting policies

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the principal accounting policies, which have been consistently applied, is shown below.

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is calculated to write off the cost of tangible fixed assets using the straight-line method over the estimated useful lives of the assets or the lease period, if shorter, as follows:

Leasehold improvements	20 years, or life of lease if shorter
Plant and machinery	5 to 10 years
Fixtures, fittings and equipment	5 to 8 years
Computers & related software	5 to 8 years
Motor vehicles	2½ years

Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term, after deducting capital based grants available to the lessor. The corresponding leasing commitments are shown as obligations to the lessor.

Depreciation on the relevant assets is charged to the profit and loss account and is calculated to write off the assets over the shorter of the lease period and the useful life. All other leases are "operating leases" and the annual rentals are charged to the profit and loss account on a straight line basis over the lease term.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is calculated as the expenditure that has been incurred in the normal course of business in bringing the product to its present location and condition.

Foreign currency amounts

All monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the mid-market rate ruling at the close of business at that date unless there is a contracted exchange rate. Differences arising on translation are taken to the profit and loss account in the period to which they relate.

Turnover

Turnover, which excludes value added tax, comprises sales during the period.

Deferred taxation

Provision is made for deferred taxation using the liability method on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income which is then credited to the profit and loss account over the related assets' useful life. Other grants are credited to the profit and loss account to match the related revenue expenditure.

Profit and loss account for the year ended 31 March 1999

	Notes	1999 £	1998 £
Turnover	1	**10,875,016**	9,293,820
Cost of sales		**(7,059,842)**	(5,440,819)
Gross profit		**3,815,174**	3,853,001
Net operating expenses	2	**(1,665,250)**	(1,317,388)
Operating profit		**2,149,924**	2,535,613
Interest receivable and similar income	4	**51,842**	42,875
Profit before interest payable		**2,201,766**	2,578,488
Interest payable and similar charges	5	**(436,902)**	(274,593)
Profit on ordinary activities before taxation	6	**1,764,864**	2,303,895
Taxation charge	7	**(310,999)**	(700,000)
Retained profit for the year	17	**1,453,865**	1,603,895

All operations are continuing.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.

The company has no recognised gains or losses other than those included in the profit above, and therefore no separate statement of total recognised gains and losses has been presented.

Align-Rite Limited

Balance sheet at 31 March 1999

	Notes	1999 £	1998 £
Fixed assets			
Tangible assets	8	**15,738,030**	6,703,962
Current assets			
Stocks	9	**568,178**	615,832
Debtors	10	**1,743,707**	1,854,315
Cash at bank and in hand		**663,241**	1,687,530
		2,975,126	4,157,677
Current liabilities - Creditors: amounts falling due within one year	11	**(4,911,498)**	(3,464,995)
Net current (liabilities)/assets		**(1,936,372)**	692,682
Total assets less current liabilities		**13,801,658**	7,396,644
Creditors: amounts falling due after more than one year	12	**(6,200,249)**	(1,495,980)
Provisions for liabilities and charges			
Deferred taxation	13	-	-
Deferred income	14	**(440,598)**	(193,718)
Net assets		**7,160,811**	5,706,946
Capital and reserves			
Called up share capital	15	**1,954,851**	1,954,851
Capital redemption reserve	16	**255,149**	255,149
Profit and loss account	17	**4,950,811**	3,496,946
Equity shareholders' funds	18	**7,160,811**	5,706,946

The financial statements on pages 9 to 23 were approved by the Board of Directors on 25, January 2000 and were signed on its behalf by:

Director

Cash flow statement for the year ended 31 March 1999

	Notes	1999 £	1998 £
Net cash inflow from operating activities	21	**4,054,227**	3,166,613
Returns on investment and servicing of finance			
Interest received		**51,028**	47,988
Interest paid		**(132,516)**	(3,767)
		(81,488)	44,221
Taxation			
Taxation paid		**(638,765)**	(460,000)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		**(8,605,900)**	(2,771,337)
Sale of tangible fixed assets		**796,957**	-
		(7,808,943)	(2,771,337)
Cash (outflow)/inflow before financing		**(4,474,969)**	(20,503)
Financing			
Receipt of loan from group companies		**3,701,485**	453,988
Repayments of loan capital		**(597,016)**	-
(Payment)/receipt of hire purchase finance		**8,861**	(15,176)
Receipt of government grants		**337,350**	336,000
Repayment of government grants		**-**	-
		3,450,680	774,812
Increase/(decrease) in cash for the year	22	**(1,024,289)**	754,309

Notes to the financial statements for the year ended 31 March 1999

1 Turnover and profit on ordinary activities before taxation

The analysis of turnover by geographical market has been excluded because in the opinion of the directors, disclosure would be seriously prejudicial to the interests of the company.

2 Net operating expenses

	1999 £	1998 £
Continuing operations		
Selling and distribution costs	**881,993**	710,065
Administration expenses	**881,727**	494,896
Other operating expenditure/(income)	**(98,470)**	(72,726)
Exceptional charge	-	185,153
	1,665,250	1,317,388

3 Directors and employees

The average weekly number of persons employed by the company in the year was:-

	1999 Number	1998 Number
Administration	**10**	11
Marketing	**4**	4
Production	**91**	76
	105	91

	£	£
Staff costs (including directors)		
Wages and salaries	**2,117,248**	1,757,614
Social security	**229,522**	207,370
Pension costs	**54,706**	40,356
	2,401,476	2,005,340

3 Directors and employees (continued)

	1999 £	1998 £
Directors emoluments		
Aggregate emoluments and other benefits	**224,917**	170,800
Aggregate value of company contributions to money purchase pension scheme	**7,662**	2,265
	232,579	173,065

Retirement benefits are accruing to two (1998: one) directors under money purchase schemes. No directors exercised any share options in the year.

	1999 £	1998 £
Highest paid director		
Total amount of emoluments and amounts (excluding shares) receivable under long term incentive schemes	**78,295**	70,527

The highest paid director did not exercise any share options during the year or receive any shares under an executive long term incentive scheme.

The emoluments of Mr MacDonald and Mr Katurich are paid by a fellow subsidiary company which makes no recharge to the company. They are directors of the immediate and ultimate parent company and the fellow subsidiary and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly the above details include no emoluments in respect of these two directors. Their total emoluments are included in the aggregate of directors' emoluments disclosed in the financial statements of the immediate and ultimate parent companies.

4 Interest receivable and similar income

	1999 £	1998 £
Bank interest	**51,842**	42,875

5 Interest payable and similar charges

	1999 £	1998 £
Interest payable comprises:		
Bank interest	**215**	-
Other interest charges on group borrowings	**436,687**	274,593
	436,902	274,593

6 Profit on ordinary activities before taxation

	1999	1998
Profit on ordinary activities before taxation is stated after charging:	**£**	£
Auditors' remuneration for:		
- audit (including expenses)	**14,850**	13,200
- other services to the company	**5,270**	13,035
Hire of motor vehicles - operating expenses	**14,499**	13,166
Other operating lease rentals	**188,210**	140,596
Depreciation of tangible fixed assets:		
- owned	**1,606,397**	905,402
Exchange Differences	**231,717**	-
and after crediting:		
Grant released to profit and loss account	**90,470**	72,726
Exchange differences	**-**	40,571
Profit on disposal of fixed assets	**8,000**	-

7 Taxation charge

	1999	1998
Current year:	**£**	£
UK corporation tax at 31% (1998: 31%)	**310,999**	700,000

8 Tangible fixed assets

	Leasehold Improvement	Motor Vehicles	Computers and related Assets	Plant and Machinery	Fixtures and Fittings	Total
	£	£	£	£	£	£
Cost						
At 1 April 1998	92,670	91,995	940,180	10,019,114	715,237	11,859,196
Additions	23,593	44,448	86,923	11,246,872	27,586	11,429,422
Disposals	-	(25,500)	-	(966,083)	-	(991,583)
At 31 March 1999	**116,263**	**110,943**	**1,027,103**	**20,299,903**	**742,823**	**22,297,035**
Depreciation						
At 1 April 1998	8,251	79,846	687,106	4,036,487	343,544	5,155,234
Charge for the year	4,828	28,578	78,936	1,425,742	68,313	1,606,397
Disposals	-	(25,500)	-	(177,126)	-	(202,626)
At 31 March 1999	**13,079**	**82,924**	**766,042**	**5,285,103**	**411,857**	**6,559,005**
Net Book Value						
At 31 March 1999	**103,184**	**28,019**	**261,061**	**15,014,800**	**330,966**	**15,738,030**
At 31 March 1998	84,419	12,149	253,074	5,982,627	371,693	6,703,962

The net book value of tangible fixed assets at 31 March 1999 includes £1,533,112 (1998: £375,823) for assets which were being constructed. These assets were not commissioned at the end of the year, and consequently have not been depreciated.

9 Stocks

	1999	1998
	£	£
Stock comprises:		
Work in progress	**6,122**	25,002
Raw materials and consumables	**562,056**	590,830
	568,178	615,832

10 Debtors

	1999	1998
	£	£
Amounts falling due within one year:		
Trade debtors	**1,596,518**	1,711,585
Prepayments and accrued income	**75,260**	118,708
Amounts due from group undertakings	**71,929**	24,022
	1,743,707	1,854,315

11 Creditors: amounts falling due within one year

	1999	1998
	£	£
Trade creditors	**3,386,694**	356,398
Amounts owed to group undertakings	**816,773**	1,922,231
Corporation tax	**368,109**	695,875
Other taxation and social security payable	**48,586**	43,732
Other creditors	**94,459**	44,191
Accruals and deferred income	**196,877**	402,568
	4,911,498	3,464,995

12 Creditors: amounts falling due after more than one year

	1999	1998
	£	£
Amounts owed to group undertakings	**6,186,638**	1,491,230
Hire purchase agreements	**13,611**	4,750
	6,200,249	1,495,980

13 Deferred taxation

Deferred taxation provided and the amount unprovided of the total potential liability are as follows:-

		1999		1998
		Amount		Amount
	Provided	**Unprovided**	Provided	Unprovided
	£	**£**	£	£
Tax effect of timing differences due to:				
Excess of tax allowances over depreciation:	-	**1,118,892**	-	589,290
Other timing differences:	-	**(317,155)**	-	(107,916)
	-	**801,737**	-	481,374

14 Deferred income

	1999	1998
	£	£
Government grants		
At 1 April 1998	**193,718**	266,444
Received in year	**337,350**	-
Released to profit and loss account	**(90,470)**	(72,726)
At 31 March 1999	**440,598**	193,718

Under the terms of the grant offer, if certain conditions are not met by the company, then the grant may be repayable to the Welsh Office.

15 Called up share capital

	1999	1998
	£	£
Called up share capital		
Authorised		
1,954,999 (1998: 1,954,999) ordinary shares of £1 each	**1,954,999**	1,954,999
1 "A" ordinary share of £1	**1**	1
800,000 redeemable preference shares of £1 each	**800,000**	800,000
	2,755,000	2,755,000
	£	£
Allotted, called up and fully paid		
1,954,999 (1998: 1,954,850) ordinary shares of £1 each	**1,954,850**	1,954,850
Redeemable 1 "A" ordinary share of £1	**1**	1
	1,954,851	1,954,851

Ordinary shares

The ordinary shares of £1 each are voting shares.

"A" Ordinary shares

The "A" ordinary share of £1 is a voting share and confers the right on its holder to appoint and remove a director of the company but in all other respects ranks equally with the ordinary shares.

16 Capital redemption reserve

	1999 £	1998 £
At 1 April 1998 and 31 March 1999	**255,149**	255,149

17 Profit and loss account

	£
At 1 April 1998	**3,496,946**
Profit for the year	**1,453,865**
At 31 March 1999	**4,950,811**

18 Reconciliation of movements in shareholders' funds

	1999 £	1998 £
Profit for the financial year	**1,453,865**	1,603,895
Net addition to shareholders' funds	**1,453,865**	1,603,895
Opening shareholders' funds	**5,706,946**	4,103,051
Closing shareholders' funds	**7,160,811**	5,706,946

19 Financial commitments

Operating leases

The company is committed to making the following payments during the year ending 31 March 2000:

Land and buildings	1999 £	1998 £
Non-cancellable property operating lease expiring in March 2006	**158,612**	158,612

20 Pensions

The company operates two defined contribution pension schemes for certain of its managers. These schemes are contracted out money purchase schemes being the Standard Life Pension Scheme and the Standard Life Executive Pension Scheme. These plans are Inland Revenue approved pension plans. During 1998/99, the company contributed between 4% and 10% of the employees' current salary for all member employees and contributed 8% for one employee in respect of the Executive Scheme. Membership in the pension schemes are subject to a qualifying period to be specified for each individual. Contributions to the plan amounted to £54,706 (1998: £40,356).

21 Net cash inflow from operating activities

Reconciliation of operating profit to net cash inflow from operating activities:-

	1999	1998
	£	£
Operating profit	**2,149,924**	2,535,613
Depreciation charges	**1,606,397**	905,402
Grant released to profit and loss account	**(90,470)**	(72,726)
Loss on disposal of tangible fixed assets	**-**	-
Profit on disposal of tangible fixed assets	**(8,000)**	-
(Increase)/decrease in stock	**47,654**	(176,012)
Increase in debtors	**111,422**	56,112
(Decrease)/increase in creditors	**237,300**	(81,776)
Net cash inflow from operating activities	**4,054,227**	3,166,613

22 Reconciliation of net cashflow to movement in net debt

	Note	£
Decrease in cash in the year		**(1,024,289)**
Increase in loans due to group undertakings		(3,589,950)
Change in net debt		**(4,614,239)**
Net debt at 1 April 1998	23	(1,725,931)
Net debt at 31 March 1999	23	**(6,340,170)**

23 Analysis of net debt

	At 1 April 1998 £	Cashflow £	At 31 March 1999 £
Cash in hand, at bank	1,687,530	(1,024,289)	663,241
Loans from group undertakings:			
Due within 1 year	(1,922,231)	1,105,458	(816,773)
Due after more than 1 year	(1,491,230)	(4,695,408)	(6,186,638)
Total	**(1,725,931)**	**(4,614,239)**	**(6,340,170)**

24 Capital commitments

Future capital expenditure	1999 £	1998 £
Contracted but not provided for	NIL	3,755,499

25 Contingent liabilities

(a) Guarantees:

(i) The company has given a terminal indemnity of £70,000 to its bankers in respect of the HM Customs & Excise deferred duty scheme, and consequently, its bankers have a charge over £70,000 of bank deposits.

(ii) The company has given a guarantee of sums due to the commissioners of HM Customs & Excise in the sum of £25,000.

(b) The Company's bankers have a charge over the fixed and floating assets of the Company.

26 Related party transactions

In accordance with the exemption afforded by Financial Reporting Standard 8 there is no disclosure in these financial statements of transactions with entities that are part of the Align-Rite group (note 28).

27 Post balance sheet event

On 15 September 1999, Photronics Inc and Align-Rite International Inc agreed to merge to create the world's largest Photomask supplier. The merger is subject to the approval of Align-Rite shareholders and regulatory approvals and is expected to be completed during the first quarter of 2000.

28 Immediate and ultimate parent companies

The immediate parent company is Align-Rite International Limited and the ultimate parent company and controlling party is Align-Rite International Inc, a company registered in the USA.

The financial statements of Align-Rite International Inc can be obtained from the Company Secretary at 2428 Ontario Street, Burbank, California, 91504.