

Align-Rite Limited

**Report and financial statements
for the year ended 31 March 1995**

Registered No 1685977



Align-Rite Limited

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Report and financial statements for the year ended 31 March 1995

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Report of the Directors

The directors present their report together with the financial statements for the year ended 31 March 1995.

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.

In view of this year's positive trading picture and expected future trading patterns, the directors are satisfied that the company is well positioned to address opportunities as they develop and to remain a competitive force in the European Photomask Industry.

Results and dividends

The profit for the year, after taxation, amounted to £718,194 (1994: £293,770). The directors do not recommend the payment of a dividend.

Changes in presentation of the financial statements

Following the introduction of Financial Reporting Standard No 4, 'Capital Instruments', the presentation of the financial statements has been amended to conform with the new requirements. Shareholders' funds have been analysed between equity interests and non-equity interests.

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.

Directors

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

J L MacDonald Jnr	(Chairman)
M Lewis	(Deputy chairman)
R F Sheldon	
W E Evans	
D J Varloud	
J R Lee	
P Katurich	(Secretary)

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Directors' interests in shares

The directors who held office at 31 March 1995 had the following interests in the shares of the company and group companies:

	Company	Description of shares	Number of shares at 31/3/95	Number of shares at 31/3/94
J L MacDonald Jnr	Align-Rite Corporation	Common stock of 1 cent each	550,000	550,000
	Align-Rite International Plc	Ordinary shares of 1p each	548,600	543,600
M Lewis	Align-Rite International Plc	Ordinary shares of 1p each	2,445	2,445
J R Lee	Align-Rite Corporation	Common stock of 1 cent each	100,000	100,000
	Align-Rite International Plc	Ordinary shares of 1p each	160,000	160,000

In addition to the above, J L MacDonald Jnr has 115,000 share warrants at 31 March 1995 (1994: 115,000) which may be exercised at any time up to 31 March 1998 at a price of £1.60 per 1p Ordinary share.

Details of the interests of the directors in share options at 31 March 1995 were:

On 31 August 1994, the following directors were granted share options in respect of the parent company, Align-Rite International plc:

	Options at 1 April 1994	Options granted in year (Ordinary shares)	Options at 31 March 1995
		£	
J L MacDonald Jnr	-	100,000	100,000
J R Lee	-	40,000	40,000
P Katurich	2,500	7,500	10,000
D Varloud	3,000	1,000	4,000

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The options granted during the year may be exercised at a price of £0.80 per share and may be exercised with effect from 31 August 1994 up to 31 August 1999. The 3,000 options granted to D Varloud and 2,500 to P Katurich prior to 1 April 1994 may be exercised at a price of £0.50 per share up to 23 March 2002.

No options were exercised during the year and no options lapsed during the year.

No other directors who held office at 31 March 1995 had any interests in the shares of the company or the group.

Contributions for charitable and political purposes

During the year there were charitable donations which amounted to £570 (1994: Nil). There were no political donations (1994: Nil).

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the Board



P Katurich

Secretary

15 May 1995

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 1995. 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



P Katurich

Company secretary

15 May 1995

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

We have audited the financial statements on pages 7 to 21.

Respective responsibilities of directors and auditors

As described on page 5 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

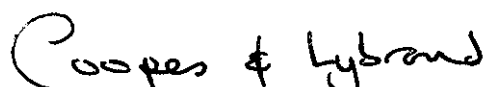
Basis of opinion

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 1995 and of its profit and cashflows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Coopers & Lybrand

Chartered Accountants and Registered Auditors

Cardiff,
22 May 1995

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.

Changes in presentation of financial information

The directors have decided to adopt a new format for the profit and loss account for the year ended 31 March 1995. The format previously adopted by the company analysed expenses by nature, whereas the revised format analyses expenses by function and so discloses cost of sales, distribution costs and administrative costs. The directors have decided to adopt the new format for the following special reasons:-

- given the increased growth of business of the company, the directors believe the revised format is more appropriate to the needs of the company and management;
- the revised format is similar to that adopted for monthly management reporting; and
- it brings the reporting into line with the formats adopted by its related co-subsidiary in the United States.

Comparative figures have been amended where necessary for the changes.

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	10 years, or life of lease if shorter
Plant and machinery	5 to 10 years
Fixtures, fittings and equipment	3 to 10 years
C A D software	5 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 1995

	Notes	1995 £	1994 £
Turnover - continuing operations	1	5,522,919	3,693,470
Cost of sales - continuing operations		(3,641,244)	(2,685,612)
Gross profit		1,881,675	1,007,858
Net operating expenses - continuing operations	2	(917,108)	(607,484)
Operating profit		964,567	400,374
Interest receivable and similar income	4	22,145	8,466
Profit before interest payable		986,712	408,840
Interest payable and similar charges	5	(98,780)	(112,953)
Profit on ordinary activities before taxation	6	887,932	295,887
Taxation charge	7	(169,738)	(2,117)
Retained profit for the year	16	<u>£718,194</u>	<u>£293,770</u>

The company has no recognised gains and losses other than the gains above and therefore no separate statement of total recognised gains and losses has been presented.

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.

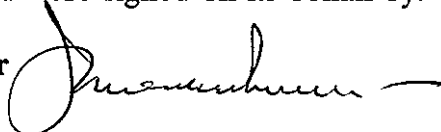
Balance sheet at 31 March 1995

	Notes	1995 £	1994 £
Fixed assets			
Tangible assets	8	1,794,175	1,369,999
Current assets			
Stocks	9	382,551	283,011
Debtors	10	1,196,252	1,101,481
Cash at bank and in hand		798,295	469,690
		<u>2,377,098</u>	<u>1,854,182</u>
Current liabilities - creditors			
Amounts falling due within one year	11	1,424,758	1,211,089
		<u>952,340</u>	<u>643,093</u>
Net current assets			
Total assets less current liabilities		<u>£2,746,515</u>	<u>£2,013,092</u>
Creditors: amounts falling due after more than one year	12	1,312,257	1,387,697
Provisions for liabilities and charges			
Deferred taxation	13	-	-
Deferred income	14	90,669	-
		<u>1,402,926</u>	<u>1,387,697</u>
Capital and reserves			
Called up share capital	15	2,210,000	2,210,000
Profit and loss account	16	(866,411)	(1,584,605)
		<u>1,343,589</u>	<u>625,395</u>
Shareholders' funds	17	<u>£2,746,515</u>	<u>£2,013,092</u>
Analysis of shareholders' funds			
Equity		543,589	(174,605)
Non-equity		800,000	800,000
		<u>£1,343,589</u>	<u>£625,395</u>

The financial statements on pages 7 to 21 were approved by the Board of Directors on 15 May 1995 and were signed on its behalf by:

J L MacDonald Jnr

Director



Cash flow statement for the year ended 31 March 1995

	Notes	1995 £	1994 £
Net cash inflow from continuing operating activities	20(a)	1,399,410	363,692
Returns on investment and servicing of finance			
Interest received		22,145	8,466
Interest paid		(109,522)	(66,990)
Net cash outflow from returns on investment and servicing of finance		(87,377)	(58,524)
Taxation			
Group relief		(169,738)	-
Investing activities			
Payments to acquire tangible fixed assets		(941,855)	(34,934)
		(1,198,970)	(93,458)
Net cash inflow before financing		200,440	270,234
Financing			
Receipt of loan		325,000	-
Receipt of hire purchase finance		7,000	-
Receipt of government grants		120,000	-
Repayment of finance leases		(323,835)	-
Net cash inflow from financing		128,165	-
Increase in cash for the year	20(b)	328,605	270,234

Notes to the financial statements for the year ended 31 March 1995

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

	1995 £	1994 £
Continuing operations		
Selling and distribution costs	476,612	383,597
Administration expenses	469,827	223,887
Less: Other operating income	(29,331)	-
	<hr/>	<hr/>
Operating profit	£917,108	£607,484
	<hr/>	<hr/>

3 Directors and employees

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

	1995 Number	1994 Number
Administration	7	6
Marketing	4	4
Production	50	45
	<hr/>	<hr/>
	61	55
	<hr/>	<hr/>
	£	£
Staff costs (including directors)		
Wages and salaries	981,120	683,903
Social security	121,639	85,722
Pension costs	10,387	11,434
	<hr/>	<hr/>
	£1,113,146	£781,059
	<hr/>	<hr/>

3 Directors and employees (continued)

	1995 £	1994 £
The remuneration paid to directors was:		
Fees	10,900	10,900
Emoluments	126,236	50,453
Pension costs	-	1,186
	<u>£137,136</u>	<u>£62,539</u>
The directors' remuneration disclosed above included amounts paid to:		
The chairman	<u>£ -</u>	<u>£ -</u>
The highest paid director	<u>£73,152</u>	<u>£36,621</u>

The number of directors (including the chairman and the highest paid director) who received fees and other emoluments (excluding pension contributions) in the following ranges was:-

	1995 Number	1994 Number
£0 - £5,000	5	5
£5,001 - £10,000	-	2
£30,001 - £35,000	-	1
£50,001 to £55,000	1	-
£70,001 - £75,000	1	-

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 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 parent company. With effect from 1 October 1994, the fellow subsidiary company commenced recharges to the company in respect of the emoluments of Mr Lee in connection with his duties to the company.

4 Interest receivable and similar income

	1995 £	1994 £
Bank interest	<u>22,145</u>	<u>8,466</u>

5 Interest payable and similar charges

	1995 £	1994 £
Interest payable comprises:		
Interest on finance leases	93,823	110,249
Bank interest	2,500	3
Other interest charges	2,457	2,701
	<u>£98,780</u>	<u>£112,953</u>

6 Profit on ordinary activities before taxation

	1995 £	1994 £
Profit on ordinary activities before taxation is stated after charging:		
Auditors' remuneration for:		
- audit (including expenses)	14,300	11,900
- other services to the company	11,126	11,127
Hire of motor vehicles - operating expenses	19,793	18,226
Other operating lease rentals	226,631	250,565
Depreciation of tangible fixed assets:		
- leased	221,144	255,393
- non-leased	287,781	129,784
Exchange differences	9,185	22,722
	<u>29,331</u>	<u>-</u>
and after crediting:		
Grant released to profit and loss account		

7 Taxation charge

	1995 £	1994 £
Current year:		
Group relief	<u>£169,738</u>	<u>£2,117</u>

There is no corporation taxation charge for the year as a result of the offset of taxation losses brought forward of £644,128 and group relief of £169,738 received from the parent company. Payment of £169,738 has been made to the parent company for the group relief surrendered.

8 Tangible fixed assets

	Leasehold improvements £	Plant & machinery £	Fixtures & fittings £	Total £
Cost at 1 April 1994	10,109	4,207,235	220,470	4,437,814
Additions	-	701,625	240,230	941,855
Transfer/disposals	-	(119,399)	(532)	(119,931)
At 31 March 1995	<u>10,109</u>	<u>4,789,461</u>	<u>460,168</u>	<u>5,259,738</u>
Depreciation				
At 1 April 1994	5,769	2,941,125	120,921	3,067,815
Charge for the year	385	466,108	42,432	508,925
Transfer/disposals	-	(110,645)	(532)	(111,177)
At 31 March 1995	<u>6,154</u>	<u>3,296,588</u>	<u>162,821</u>	<u>3,465,563</u>
Net book value:				
At 31 March 1995	<u><u>£3,955</u></u>	<u><u>£1,492,873</u></u>	<u><u>£297,347</u></u>	<u><u>£1,794,175</u></u>
At 31 March 1994	<u><u>£4,340</u></u>	<u><u>£1,266,110</u></u>	<u><u>£99,549</u></u>	<u><u>£1,369,999</u></u>

The net book value of tangible fixed assets at 31 March 1995 includes £99,793 (1994: £320,937) for assets held under finance leases. The depreciation charge for the year includes £221,144 (1994: £255,393) for assets held under finance leases.

9 Stocks

	1995 £	1994 (restated) £
Stock comprises		
Finished goods	-	2,596
Work in progress	2,369	1,443
Raw materials and consumables	380,182	278,972
	<u><u>£382,551</u></u>	<u><u>£283,011</u></u>

Packaging has been reclassified as consumables (previously finished goods). The 1994 comparatives have also been restated.

10 Debtors

	1995 £	1994 £
Amounts falling due within one year:		
Trade debtors	1,121,537	988,358
Prepayments and accrued income	74,715	64,433
	<u>1,196,252</u>	<u>1,052,791</u>
Amounts falling due after more than one year:		
Amounts due from Group undertakings	-	48,690
	<u>£1,196,252</u>	<u>£1,101,481</u>

11 Creditors: amounts falling due within one year

	1995 £	1994 £
Bank loans	81,250	-
Trade creditors	592,869	597,331
Amounts owed to group undertakings	147,855	33,000
Other taxation and social security payable	20,566	17,259
Other creditors	74,842	75,247
Accruals and deferred income	162,376	143,252
Obligations under finance leases	345,000	345,000
	<u>£1,424,758</u>	<u>£1,211,089</u>

Bank loans

The bank loan is secured by fixed and floating charges over the assets of the company. The loan is repayable in 24 equal monthly instalments commencing October 1995. If the company keeps a minimum daily balance of £325,000 with the bank, then interest is charged at 2%, but where the minimum balance falls below £325,000, the interest is charged at 2½% above base rate, which was 6.75% at 31 March 1995.

Obligations under finance leases

Repayment of the remaining lease payments is due in 14 equal quarterly instalments of £86,250 plus one final instalment for the balance. Interest charges on the total debt will be charged at 8% per annum (or 2% above base, whichever is higher), payable quarterly in arrears on the total balance.

12 Creditors: amounts falling due after more than one year

	1995	1994
	£	£
Obligations under finance leases	932,404	1,256,239
Hire purchase agreements	7,000	-
Other creditors	129,103	131,458
Bank loans	243,750	-
	<u>£1,312,257</u>	<u>£1,387,697</u>

The obligations under finance leases are repayable as follows:
In the second to fifth years inclusive

932,404	1,256,239
<u>932,404</u>	<u>1,256,239</u>

13 Deferred taxation

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

	1995		1994	
	Provided	Amount unprovided	Provided	Amount unprovided
	£	£	£	£
Tax effect of timing differences due to:				
Excess of tax allowances over depreciation:	108,324	-	42,693	-
Other timing differences:	(108,324)	(309,304)	(42,693)	(381,108)
	<u>£ -</u>	<u>£(309,304)</u>	<u>£ -</u>	<u>£(381,108)</u>

14 Deferred income

	Total
	£
Government grants	
At 1 April 1994	-
Received in year	120,000
Released to profit and loss account	(29,331)
	<u>£90,669</u>
At 31 March 1995	

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

	1995 £	1994 £
Authorised, allotted and fully paid:		
1,409,999 ordinary shares of £1 each	1,409,999	1,409,999
1 "A" ordinary share of £1	1	1
800,000 redeemable preference shares of £1 each	800,000	800,000
	<hr/>	<hr/>
	£2,210,000	£2,210,000
	<hr/>	<hr/>

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.

Redeemable preference shares

The articles of association of the company provide that the redeemable preference shares of £1 each shall be redeemed in the proportions and on the dates set out below:

Redemption date	Number of shares redeemable
31 March 1997	100,000
31 March 1998	400,000
31 March 1999	300,000

The company may, with the prior written consent of the holders of 75% of the redeemable preference shares redeem any or all of the preference shares in multiples of 100,000 shares, in advance of the due dates.

All the redeemable preference shares shall be redeemed immediately upon either of the following dates:

- (a) the date upon which a successful offer to purchase 90% or more of the issued share capital of the company is completed; or
- (b) the date upon which any of the equity share capital of the company is admitted to the Official List of the Stock Exchange or other recognised investment exchange (as defined in Section 207 of the Financial Services Act 1986).

No premium is payable on redemption.

15 Called up share capital (continued)

The holders of the redeemable preference shares shall be entitled to a fixed cumulative preferential dividend of 15% per annum on each share accruing from 1 April 1997. If the redeemable preference shares are not redeemed in accordance with the dates set out above, the rate of preference dividend will increase to 20% per annum in respect of each share not so redeemed.

The shares are non-voting but have a preferential right to return of capital on a winding up.

16 Profit and loss account

	£
At 1 April 1994	(1,584,605)
Profit for the year	<u>718,194</u>
At 31 March 1995	<u><u>£(866,411)</u></u>

The prior year adjustment has been made as a result of the change in accounting policy set out on page 7 arising from the implementation of FRS4.

17 Reconciliation of movements in shareholders' funds

	1995 £	1994 £
Profit for the financial year	718,194	293,770
New share capital issued	-	600,000
Net addition to shareholders' funds	<u>718,194</u>	<u>893,770</u>
Opening shareholders' funds	625,395	(268,375)
Closing shareholders' funds	<u><u>£1,343,589</u></u>	<u><u>£625,395</u></u>

18 Financial commitments

Operating leases

The company is committed to making the following payments during the year ending 31 March 1996:

	1995	1994
Land and buildings		
Non-cancellable property operating lease expiring in March 2006	<u>£203,612</u>	<u>£203,612</u>
Motor vehicles		
On leases expiring within 1 year	<u>£ -</u>	<u>£912</u>

19 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. The company contributes 4% of the employees current salary for all member employees and contributes 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 £10,387 (1994: £8,567).

20 Notes to the cashflow statement

(a) Net cash inflow from operating activities

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

	1995 £	1994 £
Operating profit	964,567	400,374
Depreciation charges	508,925	385,177
Grant released to profit and loss account	(29,331)	-
Loss on disposal of tangible fixed assets	8,754	-
Increase in stock	(99,540)	(129,868)
Increase in debtors	(94,771)	(503,976)
Increase in creditors	140,806	211,985
Net cash inflow from operating activities	<u>£1,399,410</u>	<u>£363,692</u>

20 Notes to the cashflow statement (continued)**(b) Analysis of changes in cash during the year**

Balance at 1 April 1994	469,690	199,456
Net cash inflow	328,605	270,234
	<u> </u>	<u> </u>
Balance at 31 March 1995	<u>£798,295</u>	<u>£469,690</u>

21 Contingent liabilities**(a) Guarantees:**

- (i) The company has given a terminal indemnity of £50,000 to its bankers in respect of the HM Customs & Excise deferred duty scheme, and consequently, its bankers have a charge over £50,000 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.
- (ii) At 31 March 1995 the company had bank borrowings of £325,000. In respect of bank borrowings and guarantees of the company its bankers have a mortgage debenture over all fixed and floating assets of the company.

- (b) There are charges over all book debts of the company in respect of the loans advanced to the company by either its parent company or its fellow subsidiary company.

22 Ultimate holding company

The company's ultimate holding company is Align-Rite International Plc which is registered in England and Wales.

The financial statements of Align-Rite International Plc can be obtained from the Company Secretary at 1 Technology Drive, Bridgend, Mid Glamorgan CF31 3LU.