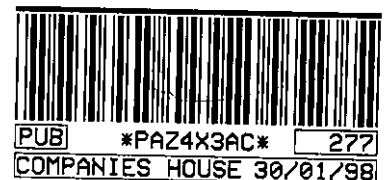


Align-Rite International Limited and its subsidiaries
Report and Consolidated financial statements
for the year ended 31 March 1997

Registered No: 1964887



Align-Rite International Limited and its subsidiaries 1

Report and Consolidated financial statements for the year ended 31 March 1997

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Report of the Directors

The directors present their report and consolidated financial statements for the year ended 31 March 1997.

Principal activity and business review

The principal activity of the company is that of a holding company.

The principal activity of the subsidiaries, Align-Rite Corporation and Align-Rite Limited, is the production and marketing of photomasks for the semi-conductor industry.

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 Global Photomask Industry.

Results and dividends

The consolidated profit for the year after taxation attributable to shareholders amounted to £3,670,226 (1996: £3,112,802). The directors do not recommend the payment of a dividend.

Research and development

The group is committed to research and development activities in order to maintain its position in its market.

Directors

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

J L MacDonald Jnr (Chairman)

J R Lee

P Katurich (Secretary)

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Directors' interests in shares

The directors of the company who held office at 31 March 1997 had the following interests in the share capital of the company and group companies.

	Company	Description of shares	Number of shares at 31/3/97	Number of shares at 31/3/96
J L MacDonald Jnr	ARI Inc	Common stock of 1 cent each	460,950	460,950
J R Lee	ARI Inc	Common stock of 1 cent each	140,345	140,345

The interests of the directors in options over the share capital of the ultimate parent company, Align-Rite International Inc, at 31 March 1997 are shown below:

	Options at 1 April 1996	Options granted in year	Exercised	Options at 31 March 1997	Option price \$
J L MacDonald Jnr	100,000	-	-	*110,000	1.25
	115,000	-	-	*115,000	2.59
	111,396	-	-	111,396	3.32
J R Lee	40,000	-	-	*40,000	1.25
P Katurich	2,500	-	-	*2,500	0.8
	7,500	-	-	*7,500	1.25
	2,000	-	-	2,000	8.25

* 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.

Contributions for charitable and political purposes

During the year there have been no political donations (1996: Nil). Charitable donations amounted to £4,121 (1996: £450).

Align-Rite International Limited and its subsidiaries 4

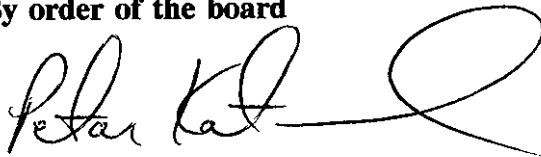
Policy on the payment of creditors

It is Group policy to comply with terms of payment agreed with suppliers. Where payment terms are not negotiated, the Group adheres to its own standard terms. The average payment term in respect of the period was 26 days.

Auditors

A resolution to reappoint Coopers & Lybrand as the company's auditors will be proposed at the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to read 'Peter Kat', followed by a long horizontal line that curves upwards at the end.

Secretary

Date

26 January 1998

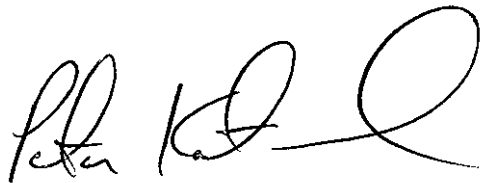
Statement of Directors' Responsibilities

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 and the group as at the end of the financial year and of the profit or loss of the group 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 1997. 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 the group, and to prevent and detect fraud and other irregularities.

By order of the board

A handwritten signature in black ink, appearing to be 'P. A. Q.', written over a horizontal line.

Secretary

Date

26 January 1998

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

We have audited the financial statements on pages 7 to 23.

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.

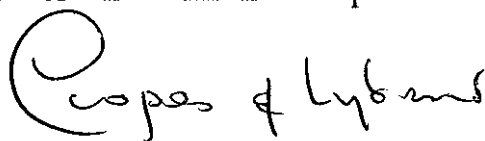
Basis of opinion

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 group's and 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 affairs of the company and the group at 31 March 1997 and of the profit and total recognised gains of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Chartered Accountants and Registered Auditors

Cardiff

20 January 1998

Principal accounting policies

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

Basis of accounting

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

Basis of consolidation

The consolidated accounts include the company and all its subsidiaries. Intra group sales and profits are eliminated on consolidation.

Goodwill or capital reserves arising on consolidation, being the difference between the purchase price of a subsidiary and the fair value of the separable net assets of the subsidiary at the date of acquisition are debited or credited to reserves in the year of purchase.

Turnover

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

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, tools and equipment	- 3 to 10 years
CAD software	- 5 years

Fixed asset investment in subsidiaries

In the balance sheet of the company, investments in subsidiaries are stated at cost unless there is deemed to have been a permanent diminution in value.

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.

Leased assets (continued)

Depreciation on the relevant assets is charged to the profit and loss account and is calculated to charge the cost of 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.

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.

Foreign currency amounts

All monetary assets and liabilities of individual companies denominated in foreign currencies at the balance sheet date are translated at the mid-market rate for spot transactions 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.

On consolidation, the balance sheet of the foreign subsidiary is translated into sterling at the closing rate of exchange at the balance sheet date. The profit and loss account is translated at the average rate ruling during the year. Differences arising from the translation of the opening net investment in the subsidiary and the profit and loss account at the closing rate are taken direct to reserves.

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.

**Consolidated profit and loss account
for the year ended 31 March 1997**

	Notes	1997 £	1996 £
Turnover - continuing operations	2	23,815,253	21,259,486
Cost of sales - continuing operations		(15,160,791)	(13,146,233)
Gross profit		8,654,462	8,113,253
Net operating expenses - continuing operations	3	(3,527,181)	(3,686,172)
Operating profit		5,127,281	4,427,081
Interest receivable and similar income	4	63,878	73,877
Profit before interest payable		5,191,159	4,500,958
Interest payable and similar charges	5	(15,114)	(116,979)
Profit on ordinary activities before taxation	7	5,176,045	4,383,979
Taxation charge	8	(1,493,053)	(1,259,444)
Profit on ordinary activities after taxation		3,682,992	3,124,535
Minority interests	21	(12,766)	(11,733)
Retained profit for the year	19	3,670,226	3,112,802

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.

Statement of total recognised gains and losses

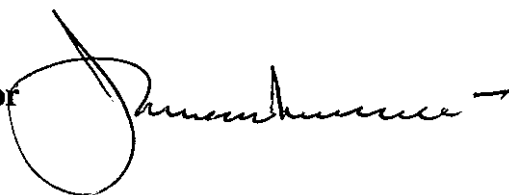
	1997 £	1996 £
Profit for the financial year	3,670,226	3,112,802
Currency translation differences on foreign currency net investments	(469,089)	363,425
Total recognised gains and losses	3,201,137	3,476,227

Consolidated balance sheet at 31 March 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	9	10,514,817	5,577,333
Current assets			
Stocks	11	1,333,935	1,189,802
Debtors	12	4,229,461	4,103,890
Cash at bank and in hand		2,159,685	2,265,991
		7,723,081	7,559,683
Current liabilities			
Creditors: amounts falling due within one year	13	(4,663,139)	(3,378,535)
Net current assets		3,059,942	4,181,148
Total assets less current liabilities		13,574,759	9,758,481
Creditors: amounts falling due after more than one year	14	19,926	15,329
Provision for liabilities and charges			
Deferred taxation	15	366,001	19,028
Deferred income	16	266,444	43,961
Net assets		12,922,388	9,680,163
Capital and reserves			
Called up share capital	17	34,993	34,607
Share premium account	19	5,147,777	5,116,669
Other reserves	19	(1,418,256)	(949,167)
Profit and loss account	19	9,102,282	5,432,056
Equity shareholders' funds	20	12,866,796	9,634,165
Equity minority interest	21	55,592	45,998
		12,922,388	9,680,163

The financial statements on pages 7 to 23 were approved by the Board of Directors on 26 January 1998 and were signed on its behalf by:

Director

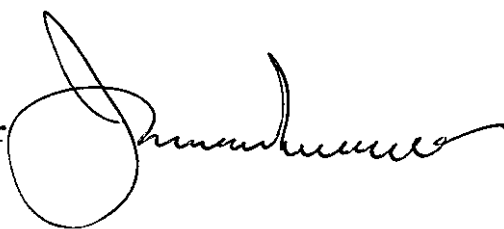


Company balance sheet at 31 March 1997

	Notes	1997 £	1996 £
Fixed assets			
Investment in subsidiaries	10	<u>4,714,971</u>	<u>4,714,971</u>
Current assets			
Debtors	12	<u>1,379,360</u>	<u>1,281,117</u>
Cash at bank and in hand		<u>64,676</u>	<u>38,578</u>
		<u>1,443,736</u>	<u>1,319,695</u>
Creditors: amounts falling due within one year	13	<u>(1,008,881)</u>	<u>(941,741)</u>
Net current assets		<u>434,855</u>	<u>377,954</u>
Total assets less current liabilities		<u><u>5,149,826</u></u>	<u><u>5,092,925</u></u>
Capital and reserves			
Called up share capital	17	<u>34,993</u>	<u>34,607</u>
Share premium account	19	<u>5,147,777</u>	<u>5,116,669</u>
Capital reserve	19	<u>452,783</u>	<u>452,783</u>
Profit and loss account	19	<u>(485,727)</u>	<u>(511,134)</u>
Equity shareholders' funds		<u><u>5,149,826</u></u>	<u><u>5,092,925</u></u>

The financial statements on pages 7 to 23 were approved by the Board of Directors on 26 January 1998 and were signed on its behalf by:-

Director



**Notes to the financial statements
for the year ended 31 March 1997****1 Profit for the financial year**

As permitted by Section 230 of the Companies Act 1985, the holding company's profit and loss account has not been included in these financial statements.

The group profit after taxation includes a profit of £25,406 (1996: loss of £82,499) which is dealt with in the accounts of the holding company.

2 Turnover and profit on ordinary activities before taxation

The group's turnover relates to its principal activity.

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 group.

3 Net operating expenses

	1997 £	1996 £
Continuing operations		
Selling and distribution costs	1,951,882	1,848,459
Administration expenses	1,575,299	1,913,169
Less: other operating income	-	(75,456)
Net operating expenses	<u>3,527,181</u>	<u>3,686,172</u>

4 Interest receivable and similar income

	1997 £	1996 £
Bank interest receivable	<u>63,878</u>	<u>73,877</u>

5 Interest payable and similar charges

	1997 £	1996 £
Interest payable comprises:		
Bank loans and overdrafts	871	102,432
On finance leases	-	1,530
Other interest	14,243	13,017
	<u>15,114</u>	<u>116,979</u>

6 Directors and employees

Employee information

	1997 £	1996 £
Staff costs during the year (including directors):		
Wages and salaries	5,237,874	4,524,890
Social security costs	163,757	141,897
Other pension costs	20,230	11,875
	<u>5,421,861</u>	<u>4,678,662</u>

The average weekly number of persons employed by the group during the period was:

	1997 Number	1996 Number
Administration	24	21
Marketing	18	18
Production	186	178
	<u>228</u>	<u>217</u>

Directors' emoluments

	1997 £	1996 £
Aggregate emoluments	424,244	664,986
Aggregate value of company contributions to money purchase pension scheme	3,007	3,977

Retirement benefits are accruing to three directors under money purchase schemes. No directors exercised share options during the year.

The emoluments of the highest paid director were £210,515 (1996: £263,273) and company contributions on his behalf of pension funds under money purchase schemes were £1,252 (1996: £1,552).

7 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:-

	1997 £	1996 £
Auditors' remuneration for:		
- Audit (company £7,295, 1996: £6,000)	99,085	61,589
- Other services to the company and its UK subsidiaries	15,334	24,291
Depreciation of tangible fixed assets		
- leased assets	37,902	49,921
- owned assets	1,500,560	919,077
Hire of plant and machinery	47,733	35,934
Other operating lease rentals	178,814	370,837
	<u> </u>	<u> </u>
and after crediting:		
Grant released to profit and loss account	23,517	46,708
Profit on sale of tangible fixed assets	7,562	28,748
	<u> </u>	<u> </u>

8 Taxation

	1997 £	1996 £
Group		
Current		
UK Corporation at 25%	455,000	10,875
	<u> </u>	<u> </u>
	455,000	10,875
Overseas taxation		
Current		
- US Federal and State taxes	680,368	1,291,701
- Deferred tax	381,846	(49,815)
Prior		
- Deferred tax	(24,161)	6,683
	<u> </u>	<u> </u>
	1,038,053	1,248,569
	<u> </u>	<u> </u>
	1,493,053	1,259,444
	<u> </u>	<u> </u>

The group has United Kingdom tax losses available to carry forward of approximately £175,000 (1996: £270,000).

9 Tangible fixed assets

	Leasehold improvements £	Plant & machinery £	Fixtures Fittings tools & equipment £	Assets in the course of construction £	Total £
The Group					
Cost					
At 1 April 1996	750,615	12,606,671	989,026	884,175	15,230,487
Disposals/transfers	-	(74,668)	(31,557)	(791,156)	(897,381)
Additions	11,991	4,003,733	250,936	3,305,349	7,572,009
Exchange differences in the year	(47,121)	(560,636)	(35,421)	(33,790)	(676,968)
At 31 March 1997	715,485	15,975,100	1,172,984	3,364,578	21,228,147
Depreciation					
At 1 April 1996	574,974	8,622,600	455,520	-	9,653,094
Charge for the period	385	1,468,599	69,478	-	1,538,462
Disposals	-	(41,107)	(29,239)	-	(70,346)
Exchange differences in the year	(36,093)	(356,963)	(14,824)	-	(407,880)
At 31 March 1997	539,266	9,693,129	480,935	-	10,713,330
Net book value:					
At 31 March 1997	176,219	6,281,971	692,049	3,364,578	10,514,817
At 31 March 1996	175,641	3,984,010	533,507	884,175	5,577,333

The net book value of tangible fixed assets at 31 March 1997 includes an amount of £23,429 (1996: £37,902) in respect of assets held under finance leases or hire purchase agreements. The depreciation charge for the year includes £37,902 (1996: £49,921) for assets held under finance leases or hire purchase agreements.

10 Fixed asset investment in subsidiaries

	The company	
	1997	1996
	£	£
Cost:		
At 1 April 1996	4,714,971	4,170,119
Additions	-	544,852
At 31 March 1997	4,714,971	4,714,971

10 Fixed asset investment in subsidiaries (continued)

The company has the following interest in the equity share capital of its subsidiaries at 31 March 1997:

Subsidiary company	Country of Incorporation, registration and operation	Share Description	Proportion held	
			By the company	By the Group
Align-Rite Limited	England and Wales	Ordinary shares	99.6%	100%
Align-Rite Corporation	United States	Ordinary shares	99.33%	99.33%

The business of both companies is the production and marketing of photomasks for the semi-conductor industry.

11 Stocks

	The Group	
	1997	1996
	£	£
Stock comprises:		
Raw materials and consumables	1,217,396	1,095,969
Work in progress	45,483	27,053
Finished goods	71,056	66,780
	<u>1,333,935</u>	<u>1,189,802</u>

12 Debtors

	The Group		The Company	
	1997	1996	1997	1996
	£	£	£	£
Amounts falling due within one year:				
Trade debtors	3,739,301	3,888,317	-	-
Amounts owed by group undertakings	-	24,906	1,374,225	1,278,017
Other debtors	47,675	7,173	4,835	3,100
Prepayments and accrued income	442,485	183,494	-	-
	<u>4,229,461</u>	<u>4,103,890</u>	<u>1,379,060</u>	<u>1,281,117</u>

13 Creditors : amounts falling due within one year

	The Group	
	1997	1996
	£	£
Trade creditors	1,866,275	1,814,863
Corporation tax	17,668	-
Other taxation and social security payable	37,552	68,988
Other creditors	33,409	20,016
Accruals and deferred income	1,332,417	1,136,651
Amounts owed to parent company	1,375,818	338,017
	<u>4,663,139</u>	<u>3,378,535</u>

	The Company	
	1997	1996
	£	£
Other creditors	8,000	11,350
Amounts owed to group undertakings (see note 13a)	1,000,881	930,391
	<u>1,008,881</u>	<u>941,741</u>

(a) Amounts owed to group undertakings

The amounts owed to group undertakings include loans and accrued interest of £884,535 and intercompany trading balances of £116,346.

These loans are secured by:-

- (i) a fixed charge over the company's holdings in the subsidiary companies, the company's uncalled capital and book debts.
- (ii) a floating charge over stocks, other debtors, quoted investments and cash and other property and assets of the company.

Interest is charged at 2% above base rate payable annually in arrears on 1 July each year.

14 Creditors : Amounts falling due after more than one year

	The Group	
	1997	1996
	£	£
Obligations under hire purchase agreements	19,926	15,329
	<u>19,926</u>	<u>15,329</u>

15 Deferred taxation

Deferred taxation provided and the amounts unprovided of the total potential (assets) and liabilities are as follows:

	The Group			
	Provided	Amount Unprovided	Provided	Amount Unprovided
	1997	1997	1996	1996
	£	£	£	£
Tax effect of timing differences due to:				
Excess of tax allowances over depreciation	607,112	370,010	210,284	139,629
Other timing differences	(241,111)	(18,230)	(191,256)	(14,245)
	<u>366,001</u>	<u>351,780</u>	<u>19,028</u>	<u>125,384</u>

16 Deferred income

	1997	1996
	£	£
Government grants		
At 1 April 1996	43,961	90,669
Repaid in year	(120,000)	-
Received in year	30,000	-
Receivable in year	336,000	-
Released to profit and loss account	(23,517)	(46,708)
At 31 March 1997	<u>266,444</u>	<u>43,961</u>

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.

Align-Rite International Limited and its subsidiaries 19

17 Called-up share capital

	1997 £	1996 £
Authorised:		
23,500,000 (1996: 23,500,000) ordinary shares of 1p each	235,000	235,000
516,200 "A" convertible preferred ordinary shares of 10p each	51,620	51,620
1,283,800 "B" convertible preferred ordinary shares of 10p each	128,380	128,380
	<u>415,000</u>	<u>415,000</u>
	<u><u>415,000</u></u>	<u><u>415,000</u></u>
	1997 £	1996 £
Allotted, called up and fully paid:		
3,499,337 (1996: 3,460,662) ordinary shares of 1p each	34,993	34,607
	<u>34,993</u>	<u>34,607</u>
	<u><u>34,993</u></u>	<u><u>34,607</u></u>

During the year, share options granted to the employees of the group and its subsidiaries were exercised at prices of either 50 pence or 172 pence per share. 38,675 ordinary shares of £0.01 pence each were allotted as a result of the exercise at a total premium of £31,108.

18 Share options in shares of Align-Rite International Limited

At 31 March 1997 share options have been granted to employees of the group and its subsidiaries for 376,100 (1996: 337,425) ordinary 1p shares. The share options granted up to 31 March 1997 may be exercised at any time up to 23 February 2002, at option prices of either £0.50 or £1.72 per 1 ordinary share, depending upon the date of the option granted.

19 Share premium account and reserves

The Group	Profit & loss account £	Share premium account £	Goodwill on consolidation £	Other reserves Exchange reserve £	Capital reserve £
At 1 April 1996	5,432,056	5,116,669	(1,074,618)	112,455	12,996
Premium on shares issued	-	31,108	-	-	-
Profit for the year	3,670,226	-	-	-	-
Exchange difference for the year	-	-	-	(469,089)	-
At 31 March 1997	<u>9,102,282</u>	<u>5,147,777</u>	<u>(1,074,618)</u>	<u>(356,634)</u>	<u>12,996</u>

The Company	Capital reserve £	Share premium account £	Profit & loss account £
At 1 April 1996	452,783	5,116,669	(511,133)
Profit for the year	-	-	25,406
Premium on shares issued	-	31,108	-
At 31 March 1997	<u>452,783</u>	<u>5,147,777</u>	<u>(485,727)</u>

20 Reconciliation of movement in equity shareholders' funds

	Group 1997 £	1996 £
Profit for the year	3,670,226	3,112,802
Premium on shares issued	31,108	2,293,174
Shares issued in the year	386	23,340
Convertible shares redeemed in the year	-	(117,534)
Exchange differences for the year	(469,089)	363,425
Shares issued on variation of warrant rights	-	(7,902)
Discount on redemption of preference shares	-	255,149
Opening shareholders' funds	<u>9,634,165</u>	<u>3,711,711</u>
Closing shareholders' funds	<u>12,866,796</u>	<u>9,634,165</u>

21 Minority interests

	Equity £
At 1 April 1996	45,998
Share of minority interest in profit for the year	12,766
Exchange difference for the year	(3,172)
	<hr/>
At 31 March 1997	55,592
	<hr/>

22 Financial commitments

At 31 March 1997 the group had annual commitments under non-cancellable operating leases as follows:-

	1997 £	1996 £
Land and Buildings		
Leases expiring within one year	40,263	17,160
Leases expiring within 2 - 5 years	128,519	150,338
Leases expiring in over five years	106,945	93,612
	<hr/>	<hr/>
	275,727	261,110
	<hr/>	<hr/>

23 Contingent liabilities

Group

Guarantees

- (a) A subsidiary company has given a terminal indemnity of £70,000 to its bankers in respect of HM Customs & Excise deferred duty scheme, and consequently, its bankers have a charge over £70,000 of bank deposits.
- (b) The subsidiary has given a guarantee of sums due to the Commissioners of HM Customs & Excise in the sum of £35,000.
- (c) The company has guaranteed the line of credit provided by the group's US bankers to a subsidiary company.

23 Contingent liabilities (continued)

Charges

- (a) The Group and its subsidiary companies has a number of charges against the assets which are detailed in notes 13 (a).
- (b) The group's UK bankers have secured the company's borrowing facilities by way of a mortgage debenture giving an equitable charge over all freehold and leasehold properties and fixed and floating charges over the undertaking and all property and assets of a subsidiary company.
- (c) The group's US bankers have provided a line of credit which is secured on the assets of a subsidiary company. The line of credit has certain restrictions and requirements relating to, amongst other things: prohibition of dividend declarations or payments, prohibition of the repurchase of the subsidiary company's common stock, maintenance of properties and insurance, maintenance of certain financial ratios, and limitations on additional borrowings, loans, liens, encumbrances and the transfer of assets.

24 Pensions

The group operates two defined contribution pension schemes in the UK 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 is subject to a qualifying period to be specified for each individual. Contributions to the plan amounted to £13,656 (1996: £11,875).

Effective 1 October 1994, the US subsidiary ("the company") established a qualified Profit Sharing Plan available to all employees who meet the plan's eligibility requirements. Employees can elect to contribute from 1% to 15% of their earnings. This plan, which is also a defined contribution plan, provides that the company will at its discretion, provide contributions up to 4% of the employees salary during a plan year. Currently, the company contributes 25% of the amount contributed by an employee. Additionally, the company at its discretion, will provide additional contributions to the plan on a periodic basis. Terminations and forfeitures from the plan shall be used to reduce the employer's contribution. The company's contributions to the plan for employer and matching of employee contributions were £30,188 (1996: £11,849).

25 Cash flows

The group is a subsidiary undertaking of Align-Rite International Inc and the cash flows of the group are included in the Align-Rite International Inc consolidated cash flow statement. Consequently under the provision of Financial Reporting Standard 1 - Cash Flow Statements (Revised), the group is exempt from publishing a cash flow statement.

26 Related party transactions

Under an exemption granted by FRS No 8 'Related party disclosures', the Company as a member of the Align-Rite International Inc Group is not required to, and does not, disclose transactions with fellow members and associated undertakings of that group.

27 Ultimate parent undertaking

The ultimate and immediate parent undertaking and controlling party of the group is Align-Rite International Inc., a company incorporated in the United States of America. Copies of the consolidated financial statements of Align-Rite International Inc. may be obtained from the company's offices at 2428 Ontario Street, Burbank, California, USA 91504.