



Annual Report & Accounts 2006



Annual Report & Accounts 2006

Contents

Directors and Advisers	2
Five Year Record	2
Chairman's Statement	3
Business Review	6
Directors' Report	18
Remuneration Report	22
Corporate Governance	27
Consolidated Income Statement	34
Consolidated Statement of Recognised Income and Expense	34
Group Balance Sheet	35
Company Balance Sheet	36
Group Cash Flow Statement	37
Company Cash Flow Statement	38
Notes to the Accounts	39
Independent Auditors' Report	68

Directors & Advisers

Directors

John Eric Harris CBE (Chairman)
Daniel Bruce Harris (Chief Executive Officer)
Andrew David Rose ACA
Paul John Cannon
Antonio Coda
David William Allen
David John Brecher (Non-Executive)
Sir Bill Cotton CBE (Non-Executive)
Paul Edward Selway-Swift (Senior Non-Executive)
Sir Digby Jones (Non-Executive)
Bridget Penelope Blow (Non-Executive)

Secretary

John Edwin Malin FCA

Registered Office

Harvard House 14-16 Thames Road
Barking, Essex IG11 0HX

Stockbrokers & Financial Advisers

Investec Investment Banking and Securities
2 Gresham Street
London EC2V 7QP

Solicitors

Berwin Leighton Paisner
Adelaide House London Bridge
London EC4R 9HA

Auditors

UHY Hacker Young
Chartered Accountants
St Alphage House 2 Fore Street
London EC2Y 5DH

Principal Bankers

The Royal Bank of Scotland plc
135 Bishopsgate
London
EC2M 3UR

HSBC Bank plc
27-32 Poultry
London EC2P 2BX
and
1 Queen's Road
Central Hong Kong

Registrars & Transfer Office

Capita Registrars
The Registry, 34 Beckenham Road
Beckenham, Kent BR3 4TU

Public Relations Advisers

College Hill Associates Limited
78 Cannon Street
London EC4N 6HH

Five year record

	31 March 2006	31 March 2005	31 March 2004	31 March 2003	31 March 2002
Turnover – Group and share of joint venture (£' millions)	714.2	763.5	617.7	528.0	440.1
– Less: share of joint venture (£' millions)	(135.6)	(98.9)	–	–	–
– Group (£' millions)	578.6	664.6	617.7	528.0	440.1
Profit before tax – Continuing operations (£' millions)	2.4	21.6	31.1	26.5	22.4
– Discontinued operations (£' millions)	–	–	–	2.9	(17.3)
– Total (£' millions)	2.4	21.6	31.1	29.4	5.1
EPS (p)	2.4	32.4	47.8	47.0	4.1

Note: Results for the years ended 31 March 2002, 2003 and 2004 have not been restated to reflect the transition to IFRS

Chairman's Statement

Financial Results

These results for the year to 31 March 2006 reflect the comments we made in our trading update on 9 February. A difficult first half had been followed by an improved picture in the two months prior to Christmas, however, this was followed by the return to a difficult trading environment in January, after which sales stabilised allowing us to meet revised expectations.

Alba plc (whole Group including Grundig)

Total turnover for the year was £714.2 million (2005: £763.5 million) and our profit before taxation was £2.4 million (2005: £21.6 million), with earnings per share reduced to 2.4p (2005: 32.4p). As indicated in our February trading statement, the Board proposes a maintained final dividend of 8.75p per share, making an unchanged total for the year of 11.0p per share. This dividend will be paid on 23rd October 2006 to shareholders on the register on 29th September 2006.

Alba plc (excluding Grundig)

Turnover for the year was £578.6 million (2005: £664.6 million) and our profit before taxation was £4.8 million (2005: £19.7 million).

Grundig

Our share of the Grundig turnover for the year was £135.6 million (2005: £98.9 million) and our share of the loss before taxation was £2.4 million (2005: £1.9 million profit).

Shareholders' funds and net debt

Shareholders' funds at the year end were at £102.2 million (2005: £107.0 million). Year end net debt reduced from £93.6 million to £71.3 million reflecting the impact of the Group's efforts to maintain stricter control over stock levels.

A notable feature of the past year has been the contrasting performance between our Consumer Electronics and our other divisions. While Consumer Electronics containing our major television and audio companies Alba, Bush, Goodmans and also the joint venture Grundig brand - suffered from the changing market, our Leisure Division comprising our domestic appliances, fitness and power product operations – has continued to trade well.

Market Overview

The dynamics driving the Consumer Electronics market-place have been changing rapidly. In response, we have had significantly to change the way we operate our business in order to assure it of a profitable future.

There appears to be increasing commoditisation of products and components. As such the market is moving to a business model in which the availability and cost of components is directly impacting margins. In the last financial year greater consumer demand for certain products – Flat Screen HD enabled televisions, MP3 players – was such that suppliers were unable to keep up with demand due to a shortage of capacity. For the first time in many years, suppliers were able to exert significant control over pricing.

This tightness is expected to ease this year as new capacity becomes available, but the market appears to be one that in the future will closely resemble that of other electronic products, such as computers and mobile phones.

Changes are also taking place that affect our customers, as competition intensifies and new delivery channels develop. Consumers are being attracted away from the high street by out-of-town centres; non-traditional retailers, particularly supermarkets, are expanding their non-food product offer; the internet and TV-shopping channels offer alternative means of interacting with the consumer.

Consumer behaviour is changing. Consumer Electronic products must either be seen to be delivering innovative "wow" factors or be offering exceptional value, often through price-led promotional campaigns. Between these two positions interest is waning and the challenge will be for us to deliver fewer, more targeted, products that will satisfy either, or preferably both, of the consumer's two key buying criteria.

Business Development

To meet the challenges of this changing market-place, the Group is making a number of important changes. A review of factors critical to our success has highlighted four profit drivers, which provide focus for the Board and Management in the pursuit of our business objectives:

Chairman's Statement

Organisation

For many years the company has operated with a flat management structure in which the individual brands had their own Managing Director, reporting directly to the Group Chief Executive. This has now been restructured, so that each of the two operating divisions will have its own dedicated Chief Executive.

Daniel Harris, in addition to his role as Group Chief Executive, will be directly responsible for Consumer Electronics and David Allen, the MD of Breville, has been appointed Chief Executive of our Leisure Division. The Group's support services – finance, logistics and service – have been brought into a third management division, to be led by the Group's Finance Director, Andrew Rose.

These changes will allow the Group to operate on a lower cost base and to provide greater control over business operations, ensuring that there is consistency throughout the Group's companies and co-ordination over future strategic direction with which to address the market challenges.

Suppliers

More than ever there is a need for the Group to build and maintain strong relationships with suppliers of key components. The past year has illustrated the increasing volatility of component availability and pricing which, if left unchecked, might significantly influence future profitability. In response the Group is working more closely with our key suppliers in the areas of component procurement, product development and software integration.

Consumer Demand

We believe we can influence demand for our products in a number of different ways. Firstly, by distributing products which meet consumers' needs. Secondly, by our ability to deliver products that are perceived as offering good value. Thirdly, we need to consider how our markets will evolve and how we will respond to these challenges in the future.

Reliability

With the increasing sophistication and complexity of product, reliability and ease of use are important in building reputation and driving sales and are very much a part of the consumer's value proposition. For the retailers, reliability is a significant concern in terms of reputation and service. There are also significant costs incurred in handling returned goods.

Review of Activities

Consumer Electronics UK

Our UK Consumer Electronics Division: Alba, Bush and Goodmans experienced difficult trading conditions.

Whilst demand for high-tech products such as LCD Television, Hard Disc Recorders (PVR) and MP3 were strong, component price and availability issues affected margins. It is crucial, going forward, that the Consumer Electronics Group manages both its margin and its inventory to ensure that it can fully benefit from new products that are continually being introduced.

Grundig UK, a wholly owned division of the Group was launched at the beginning of January, with encouraging results. Grundig UK has the potential to make a significant contribution to our UK Consumer Electronics business.

Leisure UK

By contrast, the Leisure Division has seen little change in market conditions, and continues to trade well maintaining profitability. This in large part reflects the strength of the company's brands and an ongoing focus on keeping costs under control whilst seeking greater operational efficiencies.

International

Roadstar Europe traded weakly throughout the year and management continues to adjust the cost base and infrastructure in line with the difficult market conditions.

Grundig

Grundig's turnover grew strongly throughout the year, but profitability was held back due to the slow pace of restructuring to a lower cost base. In response, together with our 50% partner Beko, consultants were engaged to review the business and reorganisation proposals contained in their report are now being considered with a view to early implementation. This restructuring will improve Grundig's operational efficiency and speed up the process of realising Grundig's considerable potential.

Board

Mr David Brecher and Sir Bill Cotton will be retiring from the Board in September at the conclusion of our Annual General Meeting. I would like to pay tribute to David and Bill. They have given wonderful service to the Company

Chairman's Statement

since 1987 and 1988 respectively. Their advice has been invaluable, their support always forthcoming and their contribution to the teamwork of the Board meetings exemplary. Both personally and on behalf of the Company I would like to thank them for 18 wonderful years.

Following his appointment as Chief Executive of our Leisure Division, David Allen will be joining the Group Board as an executive director. I would like to extend my personal welcome to David. He has already proved himself with his able direction of Breville, Nicky Clarke Hair Care and Bush Appliances. All have traded well under his leadership. We are now adding Hinari, Power Devil, JCB Power Tools, Dirt Devil and Carl Lewis Fitness to the new enlarged division.

Special Business

Details of the Special Business which is to be proposed at the 2006 Annual General Meeting and the Notice of Meeting are included in a separate circular which will be dispatched to shareholders together with the Annual Report and Accounts.

Outlook

We recognise that our markets are changing and have begun the process of implementing the necessary strategic programmes to revive Consumer Electronics profitability. This will take time, but by acting now, we will deliver the platform through which Alba can realise its considerable potential.

Trading since the end of our Financial Year has been in line with our expectations. In the medium and longer term we believe that the re-organisation that we are carrying out will improve our performance in what we hope will be a more buoyant environment. Our focus over the coming year, therefore, is firmly on creating our own destiny and driving value for our shareholders.

JOHN HARRIS, CBE

Chairman

9 August 2006

Business Review

2006 Business Review

Alba Group's strategy is powered by organic development combined with targeted strategic acquisitions. This strategy is matched by comprehensive resource facilities throughout the Group which support both current operations and encourage expansion.

The year under review has been very demanding and has seen many changes on the High Street and elsewhere as retailers in the consumer electronics sector have reacted both to the narrowing of consumer interest and the demand for new digital products.

These major market movements and trends in consumer preferences have necessitated a review of the UK business. In addition to business efficiencies and cost base economies, the key objectives of this review were sector viability, a sharper focus on the relevance of current product lines and the opportunities that exist for better performing new products. As a result of this review, the Group has been restructured and Group companies have been formed into two major business units; Consumer Electronics and Leisure Products. At the same time, the Group's support services have been brought into a third support management unit.

This review has also resulted in the exit from some business sectors and the realignment of product mixes. During the year Goodmans Computers was closed, and, with the de-emphasis of its fixed line telephone business, the new digital communications product portfolios of Harvard Communications were merged into Alba Radio Limited and Roadstar (UK) Limited.

The joint venture acquisition of Grundig has enhanced the Group's existing position in its marketplace and presents real potential. Restructuring has been slower than planned but reorganisation proposals are being actively considered with our Joint Venture partners with the aim of early implementation.

Group policy gives priority to the development of major brands with investment in new technology being another important and constant factor. Using its knowledge and experience of its markets combined with a close observation of trends, Alba aims to ensure that it is well placed to offer the right products to its markets at the right time and at the right price. This requires both a

capacity for careful forward planning and the flexibility to alter emphasis and direction as business backdrops, preferences and especially retail climates, change. In addition to both Industry and Government bodies, the Group works closely, and in partnership, with suppliers and retailers to anticipate and forecast consumer tastes and demands. Following this investment strategy, the Group seeks to ensure it is well placed to take advantage of popular demand, but as far as possible avoids exposure when changes occur that are beyond Alba's control.

Group strategy is to develop and position subsidiary companies and divisions as key suppliers to the most important retailers in its fields. It does this by offering a comprehensive, extended range of volume selling, mass-market products, coupled with the best quality of service. Our customers are important to us, but we must be important to our customers.

Several key elements are fundamental to the fulfilment of this strategy: -

- The acquisition and development of brands well known to both retailers and consumers.
- The development of 'partnership' relationships with trade customers with, at their core, an effective interface between our teams' and our customers' personnel at all levels. This interface, coupled with a thorough understanding of both our customers' needs and the dynamics of their businesses, allows us to target our product support services to ensure these meet changing customer needs and promote the smooth running of joint business relationships.
- The preservation of the identity and competitiveness of individual brands, with product development, sales and marketing controlled within the two key business units.
- The centralisation of all other business and support activities into one Group unit. This successful recipe achieves focus, operating efficiencies and the lowest possible cost base, leading to the most competitive pricing.
- The on-going development of a comprehensive and highly efficient sourcing operation, with concentrated

Business Review

buying power, to administer supplies and ensure on-time deliveries and reliable standards of quality and safety from manufacturers in the Far East, Asia and Europe. This is achieved through active supplier Quality Assurance programmes and the placement of Group engineering, quality control facilities and personnel in the key manufacturing areas to monitor production and quality levels.

- Investment in the development of new products, embracing new technologies and designs, where volume appeal is confidently expected, is combined with the timely offering of these products to meet customers' forward planning schedules for future selling seasons. This flexible and collaborative approach to product planning is complemented by comprehensive, UK based, in-house Product Origination, Research & Design Centres. Together with specialist external advisers, these Centres further support customer needs with innovative products and packaging designs aimed at maximising popular appeal and sales impact.
- The maintenance of efficient, inward quality control and after sales service teams providing easy, trouble-free sales for the retail trade and retaining the brand allegiance of consumers.
- The development of overall Group logistics, linked by the latest electronic communications and state-of-the-art stock control handling systems closely matched to business growth and changes in the markets, ensuring the most cost effective and efficient support to customers at all levels.

No other company in our field offers such a wide spread of products at keenly affordable prices under well-known brands. Within the United Kingdom our strategy enables us to count all major retailers in our field as customers. We have leading market shares in such important areas as Digital TV, DVD, Audio Systems, MP3 and Portable Digital Players, In-Car Entertainment, Small Domestic Appliances, Personal Care, Floorcare, Fitness Equipment, Power Tools and Power Garden Tools.

Group History

Since the Group was founded in 1963, with the formation of Harris Overseas Limited, key dates in the Group's development are: -

- 1964 The commencement of operations in consumer electronics and other product areas resourced from Japan and Hong Kong.
- 1970 Company headquarters and distribution centre established at Barking.
- 1972 Opening of Hong Kong office.
- 1980 Harvard Maritime founded.
- 1982 Harris Overseas Limited renamed Harvard International Limited.
Alba Radio acquired.
- 1987 Harvard International renamed Alba plc.
Alba plc floated on London Stock Exchange.
- 1988 Bush Radio acquired.
Alba France acquired.
- 1989 Hinari Domestic Appliances acquired.
- 1990 Bush offices and National Distribution Centre established in Radlett, Herts.
- 1994 Goodmans Industries acquired.
- 1995 Rights to Dirt Devil brand acquired.
Mainland China offices opened in Shenzhen.
- 1996 Power Devil launched.
China operations expanded with opening of office in Shanghai.
Northern Distribution Centre opened in Newcastle.
- 1997 Roadstar Group acquired.
- 1998 Opening of Rugby Distribution Centre.

Business Review

- 1999 Opening of Product Origination, Research & Development Centre.
Rights to JCB brand acquired for Power Products DIY tools business.
Purchase of Cable & Wireless (under licence), Betacom and Answercall Telecoms business for non mobile communications.
- 2000 Launch of Bush Internet TV. (Sold 2003)
- 2001 NTL Licence signed.
Purchase of Pulse Home Products Limited incorporating Breville, Nicky Clarke Electrical Appliances, Dreamland Electric Blankets and Viva.
- 2002 Shanghai offices moved to larger operations based in Suzhou.
Ministry of Sound Licence acquired.
Dreamland Electric Blankets sold.
- 2003 Carl Lewis Fitness Licence acquired.
Elstree offices opened for Bush, Ministry of Sound Audio, Hinari and Group Logistics.
Opening of Cortonwood Distribution Centre.
- 2004 Acquisition of Grundig AG – joint venture with Beko Elektronik AS.
- 2006 Grundig Consumer Electronics Limited launched.
Restructuring of UK companies into two main commercial divisions, Consumer Electronics and Leisure Products.

UK Consumer Electronics Division

Under the direction of Group CEO, Daniel Harris, this new business unit embraces all Group CE brands. In this highly competitive, and fast paced marketplace, it is essential that there is an overall strategic direction. In addition, developing technologies, especially digital, and consumer trends are carefully assessed with product portfolios planned well ahead to seize the volume opportunities of popular appeal. The CE Division centralises these functions and the buying operation and through its respective

brands ensures coverage of all the various volume product sectors, price points and retail categories.

Over the year CE profit margins suffered primarily due to the high cost of new technology, underlining the fact that the software and functionality of emerging digital platforms are significantly more complex than with analogue product. As a result customer returns, and the ensuing service cost, were much higher than for previous years and higher than was planned.

The Group is a key player in Government-driven forums to raise awareness of Digital Switchover in 2008, announced this year. Initiatives to further develop Digital technology products are closely linked to this major change in delivery.

For the coming year, following a detailed review of each main product category, some products have been discontinued where it is felt that the technology is not yet sufficiently stable and reliable. It is recognised that this policy may leave some gaps in CE portfolios, but only products where we can be sure of the robustness of the software will be continued or launched.

ALBA

Alba Radio Limited

Alba specialises in bringing technology to the mass market. Once trends are observed and new product categories are seen to be becoming established in the market, Alba satisfies the demand for new technology by offering well-designed products with carefully selected feature counts at affordable price points.

Top performing products for the year were DVD Players, TV/DVD Combinations and MP3 Players. The Alba MP3 range has expanded to cover all options from 64mb to 1Gb memory capacity at affordable pricing to meet the consumers' ever increasing demand for 'disposable' technology. Digital products such as Set Top Boxes, enabling the reception of Freeview Digital TV broadcasts, and DAB Radios experienced an increased demand.

Distribution remains wide and includes Major Catalogues and Mail Order Companies with an increased presence in Supermarkets and through Wholesale Distributors.

Business Review

Moving forward in 2006/7, Alba will work to maintain its market leading position in mainstream consumer electronics by seeking out high volume opportunities with the introduction of new products in key categories such as LCD TV (15" -19"), DVD, Digital (DVB and DAB) and Personal Audio. Alba remains well established to continue its position in mainstream consumer electronics with its focus remaining on providing affordable technology for everyone.

BUSH

Bush Radio plc

The Group's largest division, Bush is a multi-faceted entertainment brand. Its principal target end user is the wide breadth of consumers who recognise this long established brand as the supplier of well designed and specified products with proven reliability.

These end users are reached via mass channel retail distribution, the main channels being High Street Multiples and other retailers, Supermarkets, Mail Order Catalogues and Cash & Carry Outlets.

With TV at its core, Bush has a strong focus on Digital vision products. The introduction of the new, compact Bush Scart Freeview Adaptor, idTVs, and now HD (High Definition Ready) idTVs, together with new ranges of DAB Radios, were key product factors. Traditional CRT TV, whilst in decline, remains an important driver of both volume and value especially with idTV combinations e.g. idTV/DVD, and Small Screen idTV.

For 2007 Bush will launch a significantly wider range of DAB and Internet Radios. Focusing on the brand radio heritage, with retro-styled fashionable products, Bush also expects to increase its already strong market share in this buoyant growth market.

LCD TVs with integrated DVD, HD and Digital solutions, DVD Recorders and PVRs (Personal Video Recorders) will increase in consumer penetration helping to offset the declining value VCR, DVD Player and general Audio markets. Bush will continue to focus on those market

sectors that exhibit growth potential ensuring technology is made easy-to-use thus driving mass adoption.

Goodmans

Goodmans Industries Limited

Goodmans' business is focused on consumer electronics with distribution being concentrated on the large Multiple Retailers and Mail Order Catalogues operating in this sector.

Goodmans' objectives for the year were to continue the growth of the business, develop into new technology areas, especially Digital, continue to expand distribution, and to improve profitability.

A large number of new models were launched during the year, some in new product sectors such as Personal Digital Video Players, Hard Disc Recorders, Small Screen LCD TV and Satellite Navigation.

Goodmans' key focus for the coming year will be LCD TV in all screen sizes, and an enlarged audio business share.

GRUNDIG CONSUMER ELECTRONICS LIMITED

Grundig Consumer Electronics Limited - UK

The 2005/6 Financial Year saw the Grundig brand return to the UK consumer marketplace with progress being made throughout the year with the establishment of this new business.

To harness the strengths and opportunities presented by the prestigious Grundig brand, from Q4 a new management team took control with a brief to develop and augment a refreshed strategy. Meeting the commercial challenges has dictated a re-evaluation of earlier product planning to ensure the core elements of the brand essence can be achieved.

The corner stones of the Grundig brand values focus on technology, quality and reliability. These values are

Business Review

underpinned throughout the product offering to which value is added through the benefits of simplicity of use combined with outstanding design.

Through Q4 of 2005/6 the Grundig product road map was overhauled to ensure that the latest technology and innovation could be brought to market meeting head on the needs and demands of both the loyal Grundig customer base and new converts to the brand.

Through the latter stages of the year and early into the new financial year, Grundig has made significant inroads into new channel development, attaining successful penetration and distribution into many premium channels, including the prestigious department store and independent sectors.

Further development is planned to enhance brand penetration in both the business to business and the business to consumer sectors. Here the Grundig team has already made several inroads into the commercial applications for its products.

Against continuing strong competition, 2006/7 nevertheless presents the brand with an opportunity to add further value to the Group, and a high level of focus and attention will be given to managing profitable sales and market penetration whilst maximising an efficient inventory and overhead.

harvard

Harvard Communications

Harvard Communications, with its licensed brands NTL and Cable & Wireless, has seen a steep downturn in its traditional fixed landline telephone market due to consumers' preference for mobile communications, even in the home. Responding to these dynamics, the company is now de-emphasising its existing landline product ranges.

At the same time it has embarked upon a diversification programme to exploit the rapid penetration of Broadband in UK households, and the demand for wireless networking connectivity offered by Bluetooth enabled computer products. This development has seen the building of relationships with new, technology focused retailers.



Ministry of Sound Audio

Ministry of Sound Audio, under licence, is responsible for the design, development and distribution of consumer electronic products under the Ministry of Sound brand.

The brand's target market is ages 13 – 35, with end users focusing heavily on the design and fashion of the products. Typically, the Ministry of Sound customer buys a product not so much because of personal need, but rather because of the associated aspirational brand appeal.

The end user is reached via mass channel Retail Distribution, the main channels being High Street Retailers, Mail Order Catalogues and Online e-retailers.

The product range is comprehensive, incorporating fashioned-based MP3 and PMP Players, In-car Audio Systems and Speakers, Major Audio Systems and the introduction this year of a DJ Range.

New technology features significantly in the product design and development process. And, as media content now plays a major role within the portable audio arena, Ministry of Sound Audio works closely with the brand owners to incorporate the latest music and DVDs onto all memory based product. This point of distinction has proved to be a huge benefit in reinforcing brand values and in increasing market share.

Over the past year Ministry of Sound Audio has received numerous '5 Star' accolades from leading and consumer-faced publications in recognition of its commitment to both product design and performance.



Roadstar (UK) Limited

Roadstar meets consumers' need for entertainment on the move and space saving solutions for consumer electronics products in the home. Another key element is multi-functionality, which is becoming more important as a result of digital technological convergence.

Business Review

Over the year, Roadstar's product categories included small screen LCD TV (sub 10") and traditional small screen CRT TV, 12 volt Audio Visual, Multi Media and MP3 Personal. Roadstar UK continues as the market leader in small screen TV, Handheld/Pocket TV and is building on its presence in the 12 volt AV and Car Audio markets.

Notable product introductions included the world's first 10" idTV, a unique Boombox product featuring TV, DVD, CD, Radio and MP3 for which positive consumer publication reviews drove a high level of sell through.

For 2006/7 Roadstar is adding LCD TV with Integrated Digital (Freeview), LCD TV with DVD and Satellite Navigation. New products will also include small Widescreen LCD idTV with built in DVD/DivX and multimedia card reader features, high quality and upgradeable MP3 Personal.

UK Leisure Division

This new business unit is directed by Pulse Home Products Managing Director, and subsequent to year end, Main Board Director, David Allen. This business unit incorporates several brands that enjoy a strong presence within their respective market sector: Breville, Bush Domestic Appliances, Dirt Devil, Hinari and Nicky Clarke Electric, and leisure brands, Carl Lewis Fitness and Power Products. Product distribution includes High Street Retailers, Supermarkets, Wholesalers and e-retailers.

Products are developed to match fashion trends in the appliance markets and the retail positioning is carefully focused to ensure market share growth. These and many other disciplines, including a segmented approach to the market as a whole, sector planning and other synergies of operation, are applied to all Group companies within this business unit. This ensures that each volume product feature and price point is supplied and both gaps and duplication are avoided.



Breville

Breville supplies premium, innovative small kitchen appliances including those branded Antony Worrall Thompson by Breville. Breville's growth continues with

its focus on core kitchen areas, including Kettles, Toasters, and Irons. Other main areas include a range of top-selling products within the food preparation and table top cooking markets.

Business highlights during the year include a key strategic partnership between Breville and Brita, with the successful launch of Filter Kettles and a Water Filter Chiller, supported by TV advertising that helped establish Breville as the market leader in Filter Kettles.

Focusing on future objectives, Breville will continue to strengthen its position in the market place through product innovation, to maintain the modern appeal of the brand, and on increased distribution particularly within Supermarkets.



Hinari

Hinari is an established household brand for small domestic appliances, and occupies a market position between the entry price points and mid price brand sectors where Breville is positioned.

Hinari's product range covers all the main small domestic appliance categories the most important being Microwave Ovens, Kettles, Toasters, and Food Preparation products. The year has seen major appliances, such as Refrigeration and Dishwashers added to this portfolio, and the introduction of Air Conditioning products, reflecting consumers' desire for a level of comfort in their home similar to that increasingly experienced at work and in their car.

Hinari reaches the end user through Mail Order Catalogues, High Street Retailers, DIY Retailers, Supermarkets and Cash & Carry Wholesalers.

Recognised as a supplier of quality products at value for money prices, Hinari operates a successful sub branding strategy that targets products to consumer lifestyles with targeted sub brands for water filter products, the wine enthusiasts market, coffee lovers and fitness enthusiasts. Key drivers for product development are innovation, technology, fashion, styling and lifestyle.

Business Review

The introduction of more White Goods during 2006 and the further developments in Air Conditioning will further strengthen the Hinari brand and enhance its strong reputation.

New customers will also drive growth with the development of new accounts acquired during 2005/6 including DIY outlets, fashion chains, office suppliers and online sellers.



Bush Domestic Appliances

Bush focuses on value for money small kitchen appliances. Main product categories include Kettles, Toasters, Irons and Fryers, with further success being achieved within the table top cooking and compact oven markets. Bush will continue to move the brand forward by marketing a focused product range in four core categories: Kettles, Toasters, Fryers and Irons.



NICKY CLARKE
E L E C T R I C

Nicky Clarke Electric

Nicky Clarke Electric supplies designer haircare products and is the largest celebrity brand in the marketplace with a strong market share. Main product areas include Hairdryers, Stylers and Male Grooming. Looking ahead, Nicky Clarke Electric will build on its successes through a full range re-launch with a strong offering in all price sectors.



Dirt Devil

This floorcare division trades under the brands Dirt Devil, Bush and JCB of which the Dirt Devil marque accounts for the highest volume. The domestic product range for all brands consists of vacuum cleaners in the main categories:

Upright, Cylinder, Hand Held, Car and Multi-function Vacuum Cleaners and Steam Cleaners.

The product range is sold through Mail Order, High Street Catalogue Outlets, Supermarkets, Electrical Specialists, DIY Retailers and the Wholesale Trade.

Against a backdrop of market decline over the last financial year, this has been a period of transition for Dirt Devil as the brand re-positions from producing products that retail at opening price points to one offering added value features to compete in the more profitable mid-market sector.

To effect this change, greater product differentiation has been introduced to give consumers a reason to purchase Dirt Devil products. This has included an exclusive partnership with Microban, the world leaders in built-in antibacterial protection, with whom a range of products has been created, with antibacterial properties, that offer consumers the ability to provide further control over bacteria in their homes.

Microban benefits from high consumer awareness and antibacterial products are being heavily promoted by the FMCG cleaning solution brands.

In addition, Dirt Devil has launched a range of vacuum cleaners with a unique additional cleaning head called Fabric Master. This allows the cleaning of soft furnishing and provides benefits particularly to the growing numbers of the population for who dust mites can be a major trigger of allergies.

Both of these introductions have been well received by the trade and activities to build consumer awareness started in late January, consequently the benefit will not be fully appreciated until the new financial year.



Carl Lewis Fitness

Carl Lewis Fitness supplies a wide range of affordable fitness equipment to the home market and distributes through a number of channels including High Street

Business Review

Retailers, Mail Order and online sellers. Most consumers purchase equipment at seasonal times and prefer standard areas of exercise, such as Exercise Cycles, Rower Machines, Ellipticals and Treadmills, all of which are well represented in its product portfolio.

The home fitness market is reasonably stable, but remains very competitive with products often being differentiated only by cosmetics and design. Reflecting this, Carl Lewis Fitness has developed its own unique designs and its portfolio now features "The Studio Range" that is aimed at the higher end market.

Over the year, Carl Lewis Fitness has reviewed its competitive positioning and has launched new product areas, such as boxing and weights. It has also widened its customer base in the UK with new mail order listings.

Carl Lewis Fitness has also entered the B2C market with its own online web site with the objective of increasing market share through incremental sales.

As the Carl Lewis name has international appeal, the existing multi-language web site has been expanded to support sales efforts into mainland Europe with the objective of building a solid retail customer base across Europe.



Power Products

Power Products distributes all types of power tools, garden power products, and hand tools. The target end user is the everyday DIY consumer although demand from light trade users for some products is also satisfied.

Sales are through mass channel retailers, the main channels being specialist DIY Retailers, High Street Retailers, Mail Order Catalogues and Cash & Carry Wholesale Outlets.

Power Products has a two-tier brand strategy. "Power Devil" branded products are entry price point and represent value for money for basic DIY needs by competing largely with retailers' own-label offerings. "JCB" branded products occupy middle price point

positions and take volume and share from established premium brands by equalling or bettering the item specification at a lower price. The JCB brand stands for tough and long-lasting ruggedness and high performance.

Sales during the last twelve months grew against a backdrop of weak demand in the DIY home repair and improvement market. This is a pleasing and robust performance in what has been a difficult market. The principal driver for this growth has been the acquisition of new distribution, especially in the specialist DIY retail channels.

International Operations

HARVARD

Harvard International (Hong Kong) Limited

From its main offices in Hong Kong, this company controls the Group's sourcing, engineering, quality control, design and sales activities in the Far East. To provide essential engineering and quality control coverage, engineering bases and product testing facilities are located close to the areas of manufacturing in Shenzhen and Suzhou.

Harvard Maritime Limited

Harvard Maritime Ltd provides Group brands, and its own portfolio customers, with a complete in-house and direct import service from product planning through to shipping and on-time delivery worldwide. Over many years it has built sales for a wide spread of the company's products, both under the Group's and OEM brands, to many regions of the world. Its major markets are the UK and the rest of the EU. It also has customers in Turkey, Egypt, Australia, New Zealand, South America, Mexico and Japan. Using its commercial strengths, Harvard Maritime has also successfully developed new product areas including domestic air conditioning, an extensive toiletries business and, more recently, medical electrical.

For the new year, company objectives include the expansion of business with existing key customers through the offering of additional value added services, particularly in the logistics area. Plans are also in place to identify and develop customers in the newer markets of South America, South Africa and Asia.

Business Review

Harvard Maritime holds no inventory and sells on a “no returns” basis. Purchasing controls include buying from reliable manufacturers, all of which are audited by in-house qualified engineers, and through ensuring the financial soundness of business customers.



Roadstar Management SA Europe

Based in Ticino, Switzerland, Roadstar controls the Group's mainland Europe divisions and operations. Experiencing market pressures, Roadstar traded weakly throughout the year and the business continues to be adjusted inline with these market conditions.

Financial Review

The Group's capital structure may be split between Debt Finance (£71.3m) and Shareholders' Funds (£102.2m). The cash inflow from operating activities is as a result of the Group's efforts to maintain stricter control over stock levels.

An analysis of taxation is set out in Note 7 to the accounts. The taxation charge as a percentage of profit before taxation was 50% in the current year and 24% in the previous year. This compares with the statutory rate of 30%. The effective tax rate is above the UK statutory rate partly as a result of tax payable in some parts of Grundig albeit, Grundig had an overall negative impact on Group profitability.

The Group's financial instruments, other than derivatives, comprise borrowings, some cash and liquid resources and various items, such as trade debtors, trade creditors etc, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Group also enters into derivatives transactions (principally forward foreign currency contracts and options). The purpose of such transactions is to manage the currency risks arising from the Group's operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The financial management of banking facilities employed by the Group has been organised within a system which has operated successfully and efficiently for many years. The Group enjoys facilities with a significant number of banks, relations with most of whom date back for a considerable period of time. The major borrowing requirement is for trade finance where, although the Group's requirements are large, they are amply covered by the facilities available.

The business of importing from the Far East in particular and elsewhere to a large extent is best carried out by means of irrevocable Letters of Credit (Documentary Credits). This is the payment instrument that manufacturers in the Far East are most comfortable with and know best and which encourages them to provide best buying terms. The Group's rights in these goods are ultimately protected by all Letters of Credit having to include with the documentation inspection certificates provided by the Group's own international offices confirming that in quality and all other details shipments have conformed to our requirements.

The main financial risks to the Group are interest rate risk, liquidity risks, foreign currency risk and credit risk. Policies for managing each of these risks are summarised in Note 16 to the accounts on page 51 to 54.

Accounting standards and policies International Financial Reporting Standards (IFRS)

In accordance with EU regulations, the Group adopted IFRS with effect from 1 April 2004. Prior to its adoption of IFRS, the Group prepared its financial statements under UK Generally Accepted Accounting Principles (UK GAAP). All comparatives within these financial statements have been restated for the Group's adoption of IFRS. A reconciliation of the impacts arising from the Group's adoption of IFRS on its 2005 results is given in Note 26 to the accounts on pages 62 to 67.

In order to control the business, senior management use a number of Key Performance Indicators. These are set out below together with an explanation of their purpose.

Business Review

Return on capital employed (ROCE)

- Definition and calculation: ROCE, measures the profit as a percentage of the total capital employed (invested) in the business.
- Purpose: The Company's aim is to increase shareholder value. This is measured by the extent to which this goal has been achieved by using ROCE, as it is a measure of how well the money invested in the business is providing a return to investors.
- Source of underlying data: GAAP financial statement figures as adjusted below.
- Reconciliation of financial statement information:
Profit before tax for calculation of ROCE =
Profit before tax
Capital employed =
Shareholders funds
- Quantified target: 25%
- Quantified data: Consolidated ROCE –
2005/6 – 2.3%
2004/5 – 20.2%
2003/4 – 32.2%
2002/3 – 38.7%
2001/2 – 8.9%
- No changes have been made to the source of data or calculation method used.

Gross profit percentage

- Definition and calculation: Gross profit percentage measures the gross profit as a percentage of revenue.
- Purpose: A key measure of ongoing profitability of the Group is the ability to maintain gross margins.
- Source of underlying data: GAAP financial statement figures as adjusted below.
- Reconciliation of financial statement information:
Revenue =
Revenue
Less revenue from joint venture
Less revenue from discontinued activities
Gross profit =
Gross profit
Less gross profit from discontinued activities
- Quantified target: 12.5%

- Quantified data: Gross profit percentage –
2005/6 – 10.9%
2004/5 – 11.6%
2003/4 – 13.7%
2002/3 – 13.6%
2001/2 – 13.3%

Total overheads percentage

- Definition and calculation: Total overheads percentage measures the total overheads as a percentage of revenue.
- Purpose: It is imperative for the Group to maintain control over costs.
- Source of underlying data: GAAP financial statement figures as adjusted below.
- Reconciliation of financial statement information:
Revenue =
Revenue
Less revenue from joint venture
Less revenue from discontinued activities
Total overheads =
Total overheads
Less overheads from discontinued activities
- Quantified target: 8.0%
- Quantified data: Gross profit percentage –
2005/6 – 10.0%
2004/5 – 8.5%
2003/4 – 8.5%
2002/3 – 8.3%
2001/2 – 7.8%
- No changes have been made to the source of data or calculation method used.

Cash conversion rate

- Definition and calculation: Cash conversion rate being cash flow from operations as a percentage of operating profit.
- Purpose: One of the key drivers to strong economic returns is the ability to convert operating profit into cash.
- Source of underlying data: GAAP financial statement figures.

Business Review

- Quantified target: A minimum target of 50% cash conversion in any year.
- Quantified data: Cash conversion –
 - 2005/6 – 686.3%
 - 2004/5 – (48.5)%
 - 2003/4 – 57.2%
 - 2002/3 – 37.9%
 - 2001/2 – 56.8%
- No changes have been made to the source of data or calculation method used.

Stock turn

- Definition and calculation: Cost of sales divided by year-end stock.
- Purpose: Stock turn shows how fast a company sells its goods. The higher the figure, the leaner the company which is particularly important given the volatility of the markets in which the Group operates.
- Source of underlying data: GAAP financial statement figures as adjusted below.
- Reconciliation of financial statement information:
 - Year end stock =**
Year end stock
 - Cost of sales =**
Cost of sales
Less cost of sales from discontinued activities
- Quantified target: 6.0
- Quantified data: Stock turn –
 - 2005/6 – 5.6
 - 2004/5 – 5.1
 - 2003/4 – 5.3
 - 2002/3 – 5.5
 - 2001/2 – 6.2
- No changes have been made to the source of data or calculation method used.

Management of Health and Safety Performance

As stated in the Corporate Social Responsibility section of our Corporate Governance report on pages 31 to 33, the Group recognises and accepts its responsibilities for health and safety. Our UK policy document clearly sets

out responsibility at different levels across the business and is reviewed bi-annually.

The utilisation of both mechanical and manual handling methods at our eight UK warehouse sites for the receipt, handling and despatch of product cartons of various shapes, sizes and weights, demands continuous training of permanent and temporary staff and the robust management of health and safety matters. During the year under review there were 5 incidents requiring the completion of a RIDDOR form (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995) compared with 6 in the previous year and 11 in 2003/4, representing an overall improvement of 55% over the period. An in depth review of our UK Health and Safety policy is planned for 2006 which, together with revised statistical analysis and employee feedback, will drive future safety campaigns. Our Compliance Manager visits all our UK sites at least twice a year to conduct audits and risk assessment reviews. During the year, Health and Safety Executive Inspectors carried out routine inspections at our two main warehouses in Rugby and Cortonwood with satisfactory results. In addition, following a change in the Group's liability insurers in October 2005, safety advisers have undertaken a number of risk assessments, again with satisfactory results.

Management of Environmental Matters

As the Group's manufacturing is outsourced, its own activities are considered to be relatively low risk. However, we seek to minimise the environmental impact of our activities and to operate in accordance with the standards required by law, codes of practice and issued guidelines.

On 1 July 2006 the RoHS Directive and the UK RoHS regulations came into force. The RoHS Directive stands for "the Restriction of the use of certain Hazardous Substances in electrical and electronic equipment". The Directive bans the placing on the EU market of new electrical and electronic equipment containing more than agreed levels of specific hazardous substances. During the year under review the Group closely liaised with its suppliers and developed an appropriate audit trail to ensure that our products for the EU market comply.

Business Review

The Waste Electrical and Electronic Equipment Regulations ("WEEE") are likely to be enacted during the course of the next twelve months and like RoHS their introduction will affect the entire consumer electronics industry. The Group is a founder member of the Recycling Electrical Producers Industry Consortium ("REPIC") whose principal object is to assist its members to fulfil their obligations under WEEE. Working with Government Ministers and officials from the Department of Trade and Industry, REPIC is seeking to develop solutions that will fully satisfy the requirements of WEEE at the lowest cost to the industry.

A considerable amount of protective packaging is required to ensure the safe distribution of the Group's wide range of consumer products. Management actively reviews the amount of material used and optimises recycling opportunities. We are members of Wastepack, a leading compliance scheme in the UK which takes over its members' statutory obligations to recover and recycle packaging waste in proportion to the packaging materials a member handles in their business. Relevant data is supplied to Wastepack from a business wide computer based reporting system and no changes to the data sources or calculation methodology have been required during the year. A similar system is in place for our European operations.

Details of other Group environmental initiatives are contained in the Corporate Social Responsibility section of our Corporate Governance report on pages 31 to 32.

Employee Relations and Human Capital Management

During the year under review, on average the Group employed 912 people, 635 of whom worked within our UK operations. The success of the business is dependent

on our employees, whose consistent performance is fundamental to the efficient delivery of products and services to our customers. The quality of the management of our employees is critical to the attainment of the Group's business objectives. The Group is committed to the development of its employees by maintaining an ongoing dialogue with them, not only on matters affecting them as employees, but also on factors, including financial matters, affecting the performance of the Group. The main elements of the Group's human resources strategy include commitments to high standards of health and safety, clear and fair terms of employment, equal opportunities, training and career development.

During the year the Group participated in a CBI survey on absence and labour turnover in the United Kingdom. In our response for the twelve months to 31 December 2005, we stated that the average number of days of absence was 5.5 for our manual employees and 3.5 for non-manual employees, representing an average percentage of working time lost per employee of 2.15% and 1.52% respectively. The results of the survey, which were based on responses from businesses of various sizes, in a wide variety of sectors based throughout the United Kingdom, revealed average days lost per employee of 8.2 for manual and 5.7 for non-manual. The average percentage of working time lost was 3.9% and 2.6% respectively. The Group, although satisfied these statistics demonstrate that sickness and absenteeism levels are well managed, intends to monitor and benchmark data to ensure that it is in line with comparable industry norms. For this purpose the most appropriate business sector in the survey is "Retailing and Distribution" and the table below summarises the Group's performance against this particular sector as well as with all sectors covered by the survey.

Absence in 2005

Employees	Average days lost per employee			% of working time		
	Alba plc	Retailing & Distribution	All Sectors	Alba plc	Retailing & Distribution	All Sectors
Manual	5.5	7.2	8.2	2.15	n/a	3.9
Non-Manual	3.5	4.3	5.7	1.52	n/a	2.6

Directors' Report

The Directors have pleasure in submitting their Annual Report for the year ended 31 March 2006.

Principal Group Activities and Review of Operations

The Chairman's Statement on pages 3 to 5 and the Business Review on pages 6 to 17 describe the principal activities and operations of the Group. The principal subsidiaries are listed in Note 13 on page 50.

Results and Dividends

The results of the Group are set out in the Consolidated Income Statement on page 34. The transfers to reserves are shown in Note 21 on page 59.

The Directors recommend a final dividend of 8.75p per Ordinary Share which, with an interim dividend of 2.25p per Ordinary Share paid on 24 April 2006, gives a total dividend of 11.0p per Ordinary Share for the year. If approved, the final dividend will be paid on 23 October 2006, to shareholders on the register of members at the close of business on 29 September 2006.

Directors

The Directors of the Company at the date of this Report are shown on page 2 and their biographical details are set out below.

In accordance with the Articles of Association of the Company, Mr D W Allen, having been appointed since the last Annual General Meeting, will retire at this year's Annual General Meeting and, being eligible, will offer himself for re-election. Mr A D Rose, Mr A Coda and Mr P E Selway-Swift retire by rotation at the Annual General Meeting and, being eligible, offer themselves for re-election.

Mr D J Brecher and Sir William F Cotton, both of whom have served on the Board as Non-Executive Directors for more than nine years from the date of their first election, have decided to retire from the Board at the conclusion of the Company's 2006 Annual General Meeting.

Directors' Biographies

J E Harris CBE, Chairman and Founder

John Harris, 74, founded the business in 1963. The Company was originally called Harris Overseas Ltd and under his control it acquired the Alba company in 1982. He served as CEO from 1963 until 1992 during which time the company joined the London Stock Exchange. He founded the Helene Harris Memorial Trust to promote research into ovarian cancer and was awarded an MBE in 1996 in recognition of his contribution to worldwide cancer research and a CBE in 2005 for services to business and cancer research. He is Chairman of the Nomination Committee.

D B Harris B.Sc (Econ), Chief Executive Officer

Daniel Harris, 46, read Economics at the London School of Economics and joined the Group as Marketing Manager in 1981. He became Marketing Director of Harvard International Ltd in 1983 and joined the Board when Alba plc floated in 1987. He was appointed Group Chief Executive Officer in 1992 and following the recent management restructure he is Chief Executive of the Group's Consumer Electronics Division.

A D Rose B.Sc, ACA, Group Finance Director

Andrew Rose, 47, joined the Group in August 1987 from accountants Stoy Hayward and was appointed to the Board in December of that year. Since this time, Andrew has been the financial architect of the Group's business growth and numerous corporate developments. An expert in mergers and acquisitions he has played a vital part in the development of the Group. Following the recent management restructure he is now responsible for the division which provides the Group's support services.

P J Cannon, Director

Paul Cannon, 55, based in Hong Kong, has a background in overseas sourcing for major retailers both in the UK and USA. He joined the Board in 1991 and, as Managing Director of Harvard Maritime Ltd, a Group subsidiary, is responsible for overseeing product engineering, sourcing and quality control operations in Asia.

Directors' Report

A Coda, Director

Antonio Coda, 69, founder and President of the Roadstar Group, joined Alba plc in 1997. He has extensive experience in the Consumer Electronics business and a strong background in sales and marketing throughout continental Europe. He joined the Board in December 2000, and is responsible for the Group's mainland European activities.

D W Allen, Director

David Allen, 57, joined the Board on 19th June 2006. He has been Managing Director of Pulse Home Products Limited (formerly Dreamland Appliances Ltd) since 1993. During the last five years, he has managed the transformation of the business from an electric blanket manufacturing company into a premium Home Appliance Group. He has now been appointed Chief Executive of the recently established Leisure Division. Prior to joining Dreamland Appliances he was Managing Director of John Foster and Son plc, a textile company based in West Yorkshire. His background is in sales and marketing.

D J Brecher MA (Cantab), Non-Executive Director

David Brecher, 79, a solicitor, graduated with an MA from Trinity College, Cambridge. He set up a law firm, Brecher & Co, which became renowned for high-profile commercial property work. He joined the Board of Alba plc in 1987 bringing extensive experience to the Group both in legal and corporate matters. Until 1 July 2005, he was the Senior Non-Executive Director to whom any concerns of the other Directors were conveyed and he chaired the Audit and Remuneration Committees.

Sir Bill Cotton CBE, Non-Executive Director

Sir 'Bill' Cotton, 78, joined the Board in 1988. He started with the BBC in 1956, becoming Managing Director of BBC Television in 1984. He was awarded an OBE in 1976, a CBE in 1989 and received a knighthood in 2001 for services to TV broadcasting and to Marie Curie Cancer Care. After retiring from the BBC, he became Chairman of Meridian Television (the southern area ITV channel). He maintains his contacts in the Broadcasting Industry, which helps him provide Alba plc with a wealth of knowledge of television and radio developments. He was a member of the Audit and Remuneration Committees until 1 July 2005, and is a member of the Nomination Committee.

P E Selway-Swift, Non-Executive Director

Paul Selway-Swift, 62, spent his entire working life in international banking. He spent 20 years in Hong Kong with the Hong Kong and Shanghai Banking Corporation and was Head of HSBC in Hong Kong for several years until 1996. After returning to the UK, he was Deputy Chairman of HSBC Investment Bank in London from 1996 until 1998. He is currently Chairman of Novae Group plc and of The Atlantis China Fund. He is a Non-Executive Director of Li and Fung Ltd, a Hong Kong based global trading group. He joined the Board of Alba plc in 1998 and brings to the Group banking and commercial expertise coupled with a wide knowledge of conducting business in Hong Kong and China. On 1 July 2005 he was appointed as Senior Non-Executive Director and Chairman of the Audit and Remuneration Committees. He is also a member of the Nomination Committee.

Sir Digby Jones, Non-Executive Director

Sir Digby Jones, 50, was Director-General of the CBI from 1 January 2000 to 30 June 2006. He recently joined Deloitte as a Senior Adviser and to head up the firm's Industry Strategy Group. Later this year he will be joining Barclays Capital and Ford Europe as a Senior Adviser. Digby was previously Senior Partner at the law firm Edge & Ellison, and subsequently Vice Chairman of Corporate Finance at KPMG. He received his knighthood in 2005 for services to business. He joined the Board of Alba plc in December 2003 and brings extensive commercial experience to the Group. He is a member of the Audit and Remuneration Committees.

Ms B P Blow, Non-Executive Director

Bridget Blow, 57, joined the Board on 1 July 2005. She was Chief Executive of ITNET plc from 1994 to 2005 and following the acquisition of ITNET by Serco Group plc, she spent a year as Serco Group Technology Director, supporting the integration of ITNET. She has received numerous business awards and was a Non-Executive Director of the Bank of the England from 2000 to 2005. She is a member of the DTI's Industrial Development Advisory Board, the Birmingham Fair Cities Board, the Leadership and Management Advisory Panel (DfES & DTI) and the Council of Birmingham University. On 1st July 2005 she became a member of the Audit and Remuneration Committees.

Directors' Report

Directors' Interests

The interests of the Directors in the ordinary share capital of the Company and in the Company's share option schemes and the Long-Term Incentive Plan are shown in the Remuneration Report on pages 22 to 26 together with details of their service contracts and remuneration.

Substantial Holdings

The Company has been notified of the following holdings which represent 3% or more of the nominal value of the issued ordinary share capital of the Company as at 31 July 2006:

	Number of shares held	Percentage
Legal & General Investment Management Ltd.	7,703,276	15.03
* Mrs A J Kaye (the daughter of Mr J E Harris)	6,100,367	11.90
Axa Investments Managers UK Limited	4,869,015	9.50
+ Pailex Securities International Inc	4,825,883	9.42
Fidelity Investments Ltd.	4,583,658	8.94
Bluecrest Equity Master Fund	4,120,783	8.04
Barclays plc	1,657,084	3.23

*Mr D B Harris is beneficially interested in 540,000 of these shares and Mr J E Harris is non-beneficially interested in 900,000 of these shares.

+ Included in the beneficial interests of Mr J E Harris and Mr D B Harris are 4,825,883 Ordinary Shares registered in the name of Pailex Securities International Inc as nominee for Paicolex Trust Company (BVI) Limited and Paicolex Trust Management AG.

Purchase of Own Shares

The Company currently has shareholders' authority to purchase its own shares within limits as to the number of shares and price. This authority will expire at the conclusion of the 2006 Annual General Meeting when a new authority will be sought. During the year, the Company purchased 200,000 Ordinary Shares of 10p each in the market for an aggregate price of £740,000. These shares were purchased in connection with the Company's share option schemes and incentive plan and subsequent to the year end were sold to the Alba plc ESOP Trust at 186.5p per share.

Employees

A statement setting out the Group's employment policy can be found in the Corporate Governance Report on page 31.

Payments to Suppliers

It is the Group's policy, in relation to its suppliers, to settle the terms of payment when agreeing the terms of the transaction and to abide by those terms provided that the goods and services have been supplied in accordance with the agreed terms and conditions. Unless otherwise agreed, suppliers are paid on a net monthly basis. The Group does not follow any other code or statement on payment practice. As at 31 March 2006, the average number of creditor days was 25 (2005 : 22).

Annual General Meeting

The Annual General Meeting of the Company will be held at Harvard House, 14-16 Thames Road, Barking, Essex IG11 0HX on 20 September 2006 at noon. The Notice of Meeting is included in a separate circular issued to shareholders with the Annual Report and Accounts. Certain Special Business is to be proposed at the Annual General Meeting, details of which are set out in the circular and the Notice of Meeting.

Donations

No member of the Group incurred any EU political expenditure or made any political donations/contributions during the year under review. Charitable donations of £2,300 were made by members of the Group during the year under review.

Liability Insurance for Company Officers

As permitted by the Companies Act 1985 (as amended), the Company has maintained insurance cover for its Directors and other Officers (other than the Company's Auditors) against liabilities in relation to the Group.

Directors' Report

Auditors

The Directors have taken all reasonable steps in their duty as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's Auditors are aware of that information. So far as each Director is aware, there is no information of which the Company's Auditors are unaware.

UHY Hacker Young have expressed their willingness to continue as the Company's Auditors and resolutions will be

put to the Annual General Meeting proposing their reappointment and authorising the Directors to fix their remuneration

Registered Office

Harvard House 14-16 Thames Road Barking
Essex IG11 0HX.

By Order of the Board

J E Malin Secretary

9 August 2006

Remuneration Report

This Report sets out the Group's policy and disclosures in relation to Directors' remuneration. At the Annual General Meeting of the Company to be held on 20 September 2006, this Report will be submitted to shareholders for their approval. This Report has been produced in accordance with the Directors' Remuneration Report Regulations 2002.

Composition and terms of reference of Remuneration Committee

The Remuneration Committee ("the Committee") is responsible for determining the remuneration and the terms and conditions of service of the Executive Directors. The Committee was chaired by Mr D J Brecher and its other members were Sir William F Cotton, Mr P E Selway-Swift and Sir Digby Jones, all of whom are Non-Executive Directors. On 1 July 2005, following the appointment of Ms B P Blow as Non-Executive Director, Mr D J Brecher and Sir William F Cotton retired from and Ms B P Blow was appointed to the Committee. Mr P E Selway-Swift took over the chair. The Chairman, Mr J E Harris also attends the meetings of the Committee, except when his own remuneration is being considered. The Board has accepted all the recommendations of the Committee without amendment.

Details of the Directors retiring by rotation at the Annual General Meeting to be held on 20 September 2006 are given in the Directors' Report.

Non-Executive Directors

The remuneration of the Non-Executive Directors is reviewed by the Chairman who makes recommendations to the Board. The Board determines the remuneration of the Non-Executive Directors within the limits set out in the Articles of Association. The responsibilities of the role and the level of fees paid in UK organisations of a similar size and complexity to the Group are considered in setting remuneration policy for Non-Executive Directors.

Remuneration policy for Executive Directors

In determining the remuneration policy for Executive Directors, the Committee has considered a number of factors including:

- the importance of attracting, retaining and motivating management of the appropriate calibre to further the success of the business;

- the linking of reward to both individual and business performance; and
- ensuring that the interests of the Directors are aligned with those of the shareholders.

To this end, the Committee seeks to approve a package for Executive Directors consisting of basic salary, benefits, share options and incentives, occasional bonuses and pensions.

The Committee has not sought advice from independent consultants in determining the remuneration policy for the Executive Directors. Having actively considered the appointment of advisers, the Committee currently believes that the established practice of reviewing published information to determine appropriate levels of remuneration is effective.

The Committee believes that the policy adopted in the Group's remuneration of Executive Directors and senior managers has contributed to the long term growth of the Company. This policy has enabled the Company both to attract and keep a high calibre management team - essential for a well run and growing business. This policy will continue to be reviewed in the light of changes in market practice and legislation which impact upon the Company.

The current elements of the remuneration packages can be summarised as follows.

Base salary and benefits

Base salaries for Executive Directors are reviewed by the Committee, normally annually, having regard to competitive market practice and individual performance for the financial year.

The general benefits provided to the Executive Directors are a fully-expensed car (or cash alternative), pension, life and health insurance.

Annual performance-related bonus

Those Executive Directors who participate in the Alba plc Long-Term Incentive Plan are currently not entitled to receive bonuses. D W Allen is entitled to performance and loyalty bonuses under agreements made prior to his appointment to the Board.

Remuneration Report

Share option schemes

Tax approved and unapproved Executive Share Option Schemes (ESOS) are available to Executive Directors and Senior Managers. However, those Executive Directors who participate in the Alba plc Long-Term Incentive Plan, are currently not entitled to further grants of options under these schemes. Options granted to Executive Directors prior to 1996 under the terms of the Alba plc Executive Share Option Scheme are not normally exercisable until the third anniversary of the date of grant, but are not subject to any performance criteria which was normal for options issued up to that time. Options granted to Executive Directors from 1996 under the terms of the Alba plc Executive Share Option Scheme and the Alba plc 1996 Executive Share Option Scheme are not normally exercisable until the third anniversary of the date of grant and are subject to performance conditions set out in the rules of the relevant schemes. These conditions were based on standard practice prevailing at the time the schemes were established, and have been achieved for the relevant subsisting options as detailed below.

Executive Directors are also entitled to participate in the UK Inland Revenue approved Savings-Related (SAYE) Share Option Scheme which is available to all UK employees. The scheme is subject to a cumulative maximum investment of £250 per month for each individual. The share option runs for either three, five or seven years. At the end of the chosen period, the shares may be purchased by the employee at a 20% discount to the share price at the invitation date.

The 1996 Executive Share Option Schemes and 1996 Savings-Related Share Option Scheme will terminate in September 2006 and the Directors believe that the renewal of these schemes, with certain amendments to take account of changes in legislation and institutional shareholder guidelines, will continue to be a valuable incentive for those directors and staff upon whose efforts the Company depends to ensure its success.

Shareholder approval to the renewal of these Schemes will be sought at the Annual General Meeting of the Company to be held on 20 September 2006. Notice of Meeting and summaries of the rules of the Schemes, as proposed to be amended, are set out in a separate circular which will be dispatched to shareholders together with the Annual Report and Accounts. The full rules of the Schemes, as

proposed to be amended, will be available for inspection at the 2006 Annual General Meeting.

The beneficial interests of the Executive Directors in share options granted under the particular schemes are shown below:

(1) Alba plc Executive Share Option Scheme:

Exercise Price	1 April 2005	Granted during the year ended 31 March 2006	Exercised during the year ended 31 March 2006	Market Price at the date of exercise	31 March 2006
A D Rose					
(a) 214.5p	20,000	–	20,000	420.0p	–
(b) 276.5p	30,000	–	30,000	402.5p	–
	50,000	–	50,000		–

(2) Alba plc 1996 Savings-Related Share Option Scheme:

Exercise Price	1 April 2005	Granted during the year ended 31 March 2006	Lapsed during the year ended 31 March 2006	Exercised during the year ended 31 March 2006	31 March 2006
A D Rose					
(a) 264p	2,784	–	–	–	2,784
(b) 248p	3,320	–	–	–	3,320
(c) 350p	568	–	–	–	568
(d) 636p	1,106	–	1,106	–	–
(e) 313.2p	–	2,110	–	–	2,110
	7,778	2,110	1,106	–	8,782

The options are exercisable between the following dates:

(a) and (b) 1 September 2006 and 28 February 2007

(c) 1 February 2010 and 31 July 2010

(e) 1 September 2010 and 28 February 2011

In addition, the Alba ESOP Trust, which during the year purchased 200,000 shares at a price of 390p per share, at 31 March 2006 held 439,026 Ordinary Shares in the Company for beneficiaries including, inter alia, Directors and employees of the Company and its subsidiaries. Subsequent to the year end, the Alba ESOP Trust purchased 239,086 shares at a price of 186.5p per share. This included 200,000 shares purchased from the Company which were being held in treasury. The Executive Directors, being members of a class of potential beneficiaries of the ESOP, are, to that extent, interested in all the Company's shares held by the ESOP.

Remuneration Report

During the year ended 31 March 2006, Mr A D Rose exercised his options over 20,000 Ordinary Shares at an option price of 214.5p per share and 30,000 Ordinary Shares at an option price of 276.5p per share and disposed of 21,100 Ordinary Shares at 397p per share.

The aggregate gain made by Directors on the exercise of options during the year ended 31 March 2006 was £78,900. Mr D B Harris, the highest paid Director, did not exercise any options over shares in the Company.

The market price of the Company's shares on 31 March 2006 was 243p per Ordinary Share and the high and low share prices during the year to 31 March 2006 were 539.5p and 241p, respectively.

Long-Term Incentive Plan

The following awards of shares have been granted under the terms and subject to the conditions of the rules of the Alba plc Long-Term Incentive Plan

	Market price on date of award	Granted during the year ended		Lapsed during the year ended	
		1 April 2005	31 March 2006	31 March 2006	31 March 2006
J E Harris (a) 372.5p	9,848	–	9,848	–	–
(b) 502.5p	20,193	–	–	20,193	–
(c) 795.0p	13,807	–	–	13,80	–
(d) 377.5p	–	41,873	–	41,873	–
	43,848	41,873	9,848	75,873	–
D B Harris (a) 372.5p	13,925	–	13,925	–	–
(b) 502.5p	29,668	–	–	29,668	–
(c) 795.0p	20,117	–	–	20,117	–
(d) 377.5p	–	61,069	–	61,069	–
	63,710	61,069	13,925	110,854	–
A D Rose (a) 372.5p	8,303	–	8,303	–	–
(b) 502.5p	19,355	–	–	19,355	–
(c) 795.0p	13,699	–	–	13,699	–
(d) 377.5p	–	41,341	–	41,341	–
	41,357	41,341	8,303	74,395	–
P J Cannon(a) 372.5p	4,785	–	4,785	–	–
(b) 502.5p	6,444	–	–	6,444	–
(c) 795.0p	3,985	–	–	3,985	–
(d) 377.5p	–	9,324	–	9,324	–
	15,214	9,324	4,785	19,753	–

A Coda (a) 372.5p	3,834	–	3,834	–
(b) 502.5p	5,371	–	–	5,371
(c) 795.0p	3,290	–	–	3,290
(d) 377.5p	–	8,767	–	8,767
	12,495	8,767	3,834	17,428

(a) As neither of the two performance targets detailed below was met the awards granted on 1 July 2002 lapsed and the shares were retained by the Trust.

The shares conditionally awarded are held in trust for a period of three years from the award date (the "performance period") and their release no earlier than (b) 1 July 2006, (c) 1 July 2007 and (d) 1 July 2008 is conditional and will be allocated in equal portions to the achievement of two performance targets during the performance period namely:

(i) a target ("the TSR target") under which the increase in the Alba plc Total Shareholder Return ("TSR") (namely share price appreciation plus dividends) through the performance period must exceed the average TSR during the same period, of the applicable sub-section of the FTSE Actuaries Industry Sector by 9% or more (in which event, 50% of the shares conditionally awarded will be released); and/or

(ii) a target ("the EPS target") under which the average percentage increase in Alba plc's normalised Earnings Per Share during its three financial years commencing on 1 April immediately preceding the award date must exceed the average percentage increase in the Retail Prices Index during the same period by 3% per annum or more (in which event 50% of the shares conditionally awarded will be released).

If in relation to either of the above targets Alba plc's growth achievement against the relevant comparative during the performance period is (in case of the TSR target) 6% or more but less than 9% or (in case of the EPS target) 2% per annum or more but less than 3% per annum, then the percentage of the shares released to the grantee will be proportionately reduced from a level of 50% of the award if the growth achieved is at the higher percentage to a level of 25% of the award if the growth achievement is at the lower percentage. If the growth achievement is less than the lower percentage, no shares will be released to the grantee. These targets were

Remuneration Report

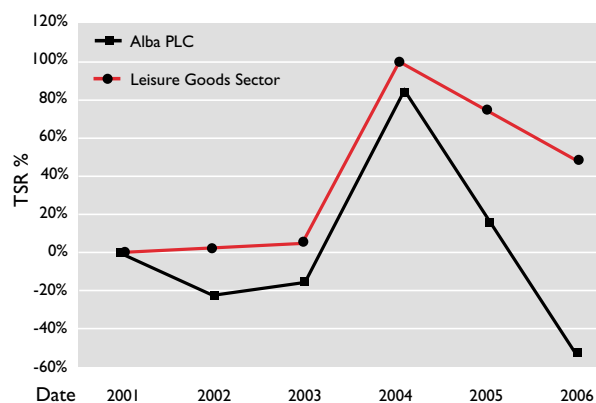
discussed with and approved by major institutional shareholders prior to implementation of the Long-Term Incentive Plan.

Following the passing of a resolution at the 2000 Annual General Meeting, the Trustees of the Alba plc ESOP Trust and the Board approved an amendment to the Rules of the Alba plc Long-Term Incentive Plan so that, unless and until the Remuneration Committee otherwise determines, the results of Bush Internet Limited would not be taken into account for the purposes of determining the Company's normalised Earnings Per Share.

Neither of the performance targets set out in sections (i) and (ii) above has been achieved in respect of the shares granted on 1 July 2003 and, therefore, the shares conditionally awarded will lapse. The shares shall be retained by the Trust.

Total shareholder return

The following graph shows Alba plc's total shareholder return compared to that of the Leisure Goods Sector of the FTSE/DJ Industry Classification Benchmark (ICB) over the past five years. Given that Alba plc was not a constituent of the FTSE-250 index during the year under review, the Leisure Goods Sector is deemed to be the most appropriate comparator:



Source: Hemscott

Pensions

Mr D B Harris and Mr A D Rose were members of the Alba plc Group Retirement and Death Benefit Scheme. On 1 July 2005, this contracted-in money purchase (defined contribution) scheme with no underlying benefit guarantees was closed and comparable money purchase

benefits are now provided through a Stakeholder Pension Plan. As a result of this change in pension provision, the non-contributory Executive Pension Scheme for the benefit of Mr D B Harris will become "paid up". Mr P J Cannon has a Personal Pension Scheme into which the Company contributes. The Company contributions into these schemes, which are based on a percentage of pensionable salary, are set out in the table under the Directors' detailed emoluments.

Service contracts

Each of the Executive Directors is employed on a rolling contract subject to one year's notice on either side except in the case of Mr A Coda whose employment agreement is subject to six months' notice on either side.

Details of the employing company and dates of contract are as follows:

Director	Date of Contract	Employing Company
Mr J E Harris	4 September 1987	Alba plc
Mr D B Harris	4 September 1987	Alba plc
Mr A D Rose	4 September 1987	Alba plc
Mr P J Cannon	4 September 1987	Harvard Maritime Limited
Mr A Coda	13 March 1997	Roadstar Management SA

The Committee believes that, in order to attract Executive Directors of the right calibre and to compete for talent with our competitors, it is necessary to offer service contracts with notice periods of one year. Under the terms of the Executive Directors' service contracts, on termination by the employing company, except in the case of dismissal for cause, the employing company shall make a payment to the Executive Director equal to:

- the Executive's basic salary for the period of notice, and
- the cost of provision of pension and benefits for the notice period.

Such payment will be reduced proportionately in the event that the Executive Director works part of his period of notice.

Remuneration Report

Non-Executive Directors do not have service contracts. With the exception of Mr D J Brecher and Sir William F Cotton, whose re-appointments are considered annually, their re-appointment is considered every three years by the Board and, if the Board recommends such re-appointment, by the Company. The year when each Director was appointed is shown in the Directors' biographies on pages 18 and 19. There are no compensation provisions for early termination of Non-Executive Director appointments.

Directors' detailed emoluments

The Directors' remuneration in total is analysed as follows:

	for the year ended 31 March 2006 £'000	for the year ended 31 March 2005 £'000
Emoluments for qualifying services	1,505	1,381
Contributions to money purchase pension schemes	52	174
Benefits	68	62
	1,625	1,617
Fees	188	150
Total	1,813	1,767

The remuneration of each Director for the year ended 31 March 2006 is made up as follows:

	Emoluments for qualifying services £'000	Pension contributions £'000	Benefits £'000	Total £'000	Prior year total £'000
J E Harris	341	–	–	341	313
D B Harris	506	12	–	518	546
A D Rose	342	16	–	358	369
P J Cannon	148	24	62	234	219
A Coda	168	–	6	174	170
D J Brecher	25	–	–	25	25
W F Cotton	25	–	–	25	25
P Selway-Swift	50	–	–	50	50
D M Jones	50	–	–	50	50
B P Blow*	38	–	–	38	–

* Since date of appointment on 1 July 2005

Interests in contracts

There were no contracts of significance subsisting during or at the end of the year in which a Director of the Company is or was materially interested.

Interests in shares

The Directors' beneficial and non-beneficial interests in the share capital of the Company are shown below:

	Beneficial 31 March 2006	Beneficial 31 March 2005	Non-Beneficial 31 March 2006	Non-Beneficial 31 March 2005
J E Harris	5,310,821	5,310,821	2,700,000	2,700,000
D B Harris	6,089,818	6,089,818	900,000	900,000
A D Rose	231,649	202,749	–	–
P J Cannon	138,406	138,406	–	–
A Coda	15,599	15,599	–	–
D J Brecher	18,750	18,750	–	–
W F Cotton	5,100	5,100	–	–
P E Selway-Swift	5,760	3,760	–	–
D M Jones	3,000	3,000	–	–
B P Blow	10,000	–	–	–

As at 9 August 2006 there had been no alterations to the Directors' interests since 31 March 2006.

Within the non-beneficial interest of Mr J E Harris are 1,800,000 Ordinary Shares also shown within the beneficial interest of Mr D B Harris and within the non-beneficial interest of Mr D B Harris are 900,000 Ordinary Shares also shown within the beneficial interest of Mr J E Harris.

The Report of the Auditors on the Financial Statements covers the disclosures contained in this Report that are specified for audit by the Financial Services Authority. The following sections of this Report are audited:

Pensions
Directors' detailed emoluments
Share option schemes
Long-Term Incentive Plan

Approved by the Board and signed on its behalf:

J E Malin Secretary

9 August 2006

Corporate Governance

The Board seeks to comply with established corporate governance best practice. Throughout the year to 31 March 2006, the company complied with the provisions of the revised Combined Code on corporate governance issued by the Financial Reporting Council in July 2003 ("the Code"), except for the provision relating to the terms of office for Non-Executive Directors.

The Board

The Board, which met five times during the year, is responsible for determining policy and business strategy, setting financial and other performance objectives and monitoring achievement. There is a formal schedule of matters specifically reserved for decision by the Board which includes:-

- Setting Group strategy and approving the annual and capital expenditure budgets.
- Reviewing performance in the light of the Group's strategy, objectives and budgets.
- Reviewing the Group's systems of financial control and risk management.
- Approving communications with shareholders.
- Approving appointments to the Board and the Company Secretary.
- Approving policies relating to Directors' remuneration.
- Approving the terms of reference for Board committees.

There is a clear division of roles between the Chairman and Chief Executive. The Chairman has responsibility for the conduct of Company and Board meetings and for ensuring that Directors are properly briefed to enable full, constructive Board discussions. The Chief Executive is required to develop and lead business strategies and processes for the furtherance of the Group.

The agenda for Board meetings are set by the Chairman in consultation with the Chief Executive, Finance Director and Company Secretary. Formal minutes of Board and Committee meetings are prepared and distributed as appropriate to each Director.

The Board currently consists of six Executive Directors and five Non-Executive Directors. Their names and biographical details are set out on pages 18 and 19. Each new appointee to the Board is required to stand for re-election

at the next Annual General Meeting following their appointment. In addition, one third of the Board retires by rotation at each Annual General Meeting and each Director stands for re-election at least once every three years.

The Board believes that all the Non-Executive Directors are free from any business or other relationship which could materially interfere with the exercise of their independent judgement. They have no service contracts and, prior to the establishment of the Nomination Committee, their original selection was not made through a formal process. With the exception of Mr D J Brecher and Sir William F Cotton whose re-appointments are considered annually, their re-appointment is considered every three years by the Board and, if the Board recommends such re-appointment, by the Company.

Mr D J Brecher and Sir William F Cotton, both of whom have served on the Board as Non-Executive Directors for more than nine years from the date of their first election, have decided to retire from the Board at the conclusion of the Company's 2006 Annual General Meeting.

In July 2005, following the appointment of Ms B P Blow as Non-Executive Director, Mr D J Brecher stood down as Senior Non-Executive Director and Mr P E Selway-Swift was appointed in his place. Also Mr D J Brecher and Sir William F Cotton retired from, and Ms B P Blow was appointed to, the Audit and Remuneration Committees. Mr P E Selway-Swift was appointed Chairman of these Committees.

On appointment, Directors receive information about the Group, including the latest financial statements, the role of the Board and matters reserved for its decision, the terms of reference and membership of the Board committees and the Group's corporate governance practices and procedures. Additionally the Chairman facilitates visits to key locations and meetings with senior executives.

To enable the Board to function effectively and allow it to discharge its duties, all Directors are given full and timely access to all relevant information, have free access to the advice and services of the Company Secretary and may receive independent advice at the expense of the Company.

Corporate Governance

The Company Secretary has the responsibility for ensuring that Board procedures are followed and for advising on governance matters. The appointment and removal of the Company Secretary is one of the matters reserved for the Board. The Company Secretary is also Secretary to the Audit, Remuneration and Nomination Committees.

The Board, led by the Chairman, continues to conduct informal internal evaluations of its performance and that of its Committees and each Director. A summary of findings is reviewed by the Board and any recommendations are implemented as appropriate. During 2006 the Board plans to introduce a more formalised performance evaluation system.

None of the Executive Directors has any third party directorships but Messrs J E Harris, D B Harris, A D Rose and A Coda are members of the advisory board of Grundig Multimedia BV, the Joint Venture holding company.

Board Committees

The Board has delegated authority to a number of committees to deal with matters in accordance with written terms of reference, which are displayed on the Company's website www.albapl.com. The Chairmen of the committees attend the Annual General Meeting to answer questions from shareholders.

Audit Committee

This comprises the Non-Executive Directors, Mr P E Selway-Swift (Chairman), Sir Digby Jones and Ms B P Blow. On 1 July 2005 Mr D J Brecher and Sir William F Cotton retired from and Ms B P Blow was appointed to the committee. Mr P E Selway-Swift took over the chair.

This committee, which reports to the Board, is responsible for reviewing accounting policies and reporting requirements, ensuring the maintenance of accounting systems and controls and ensuring that the external and internal audit processes are effective.

The Audit Committee monitors the controls that are in force and any perceived gaps in the control environment. The Audit Committee also considers and determines relevant action in respect of any control issues raised by the external auditors.

The Audit Committee met three times during the year.

At the meetings, which were attended by the external auditors and, by invitation, the Chairman and Finance Director, the following matters were reviewed and discussed: -

- The External Auditors' Report to the Committee for the year ended 31 March 2005 and the Audit and Client Service Plans for 2006.
- Planning for the requirements of the International Financial Reporting Standards (IFRS) and other relevant accounting standards.
- The terms of reference and activities of the Internal Audit Department.
- Issues raised by the Company's Turnbull quarterly reviews on the effectiveness of the internal control system and risk management.

Subsequent to the year end, the Audit Committee reviewed and discussed the External Auditors' Report to the Committee for the year ended 31 March 2006.

The Audit Committee reviews the appointment and scope of the work of the external auditors and has recommended to the Board that UHY Hacker Young be re-appointed as auditors at the next Annual General Meeting.

The Audit Committee undertakes an assessment of the auditors' independence and determines the scope of the non-audit services, which currently is limited to advisory and compliance work and company secretarial services. UHY Hacker Young do not advise the Group in respect of taxation matters or conduct due diligence assignments for potential acquisitions and they are not auditors of the Company's principal overseas subsidiaries.

Remuneration Committee

This comprises the Non-Executive Directors, Mr P E Selway-Swift (Chairman), Sir Digby Jones and Ms B P Blow. On 1 July 2005 Mr D J Brecher and Sir William F Cotton retired from and Ms B P Blow was appointed to the committee. Mr P E Selway-Swift took over the chair.

The principal duties of the Remuneration Committee, which met three times during the year, are to consider all aspects of Directors' remuneration. Its policy is to establish remuneration packages, which enable the Company to

Corporate Governance

attract, retain and motivate Directors with the necessary skills and experience. The Remuneration Committee considers that a part of Directors' remuneration should be performance related and provides this through a Long-Term Incentive Plan. The committee receives input from the Chairman regarding its policy and proposals. Full details of the remuneration policy are set out in the Remuneration Report on pages 22 to 26.

The Remuneration Committee also considers the grant of share options under the Company's Executive Share Option Scheme and awards of shares to senior employees under the Company's Long-Term Incentive Plan. The policy of the committee is to award shares or grant share options to senior or other employees as part of a remuneration package that will motivate them to contribute to the success of the Company over the medium to long term.

Nomination Committee

This comprises the Executive Chairman, Mr J E Harris, who chairs the committee, and Non-Executive Directors Sir William F Cotton and Mr P E Selway-Swift. This committee, which reports to the Board, is primarily responsible for the appointment of Non-Executive Directors and succession planning. The full committee held one formal meeting during the year. The committee is currently seeking to recruit a suitably qualified independent Non-Executive Director to join the Main Board.

Corporate Management Committee

This comprises Mr J E Harris, Chairman, Mr D B Harris, Chief Executive and Mr A D Rose, Finance Director. This committee is responsible for treasury management and capital policies, material capital projects, appointments and promotions to senior management positions and the remuneration levels of subsidiary company directors where the Remuneration Committee does not set them.

The number of full Board meetings and principal committee meetings attended by each Director during the year was as follows:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
(Number of meetings held)	(5)	(3)	(3)	(1)
J E Harris	5	3*	1*	1
D B Harris	5	n/a	n/a	n/a
A D Rose	5	3*	n/a	n/a

A Coda	4	n/a	n/a	n/a
P J Cannon	4	n/a	n/a	n/a
D J Brecher	4	1**	1**	n/a
W F Cotton	5	1**	1**	1
P E Selway-Swift	5	3	3	1
D M Jones	3	1	2	n/a
B P Blow	4	2***	1***	n/a

* By invitation

** Prior to retiring from the committee on 1 July 2005

*** Following appointment to the committee on 1 July 2005

Internal Control and Risk Management

The Board confirms that, in accordance with the Institute of Chartered Accountants in England and Wales' publication Internal Control: Guidance for Directors on the Combined Code ("the Turnbull Guidance"), there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group, and that this process has been in place for the year under review and up to the date of approval of the Annual Report and Accounts. This process, which currently does not include Grundig, is regularly reviewed by the Board and conforms to the requirements of the Code.

The Board has overall responsibility for the system of internal control, including financial, operational and compliance controls and risk management, to safeguard shareholders' investments and the Company's assets. It is acknowledged that any system of internal control is designed to manage rather than eliminate risk and that even the most effective system can only provide reasonable, and not absolute, assurance against misstatement or loss.

The Company's risk management policy requires all business units to operate appropriate and effective risk management processes. The Company has a detailed risk management process that identifies the key risks facing each division. These processes are designed to support the Group's strategic direction and business objectives. Responsibility for risk management rests with line management and the Company endeavours to ensure that the appropriate infrastructure, controls, systems and processes are in place. A Compliance Manager has the responsibility to oversee and review the internal control and risk policies and procedures and management

Corporate Governance

framework within the Group. The Compliance Manager reports to the Board and to the Audit Committee on any material issues and submits a formal report to the Board to facilitate their annual review.

The Directors confirm that they have carried out a review of the effectiveness of the Group's systems of internal control and risk management, the key features of which include:

Management Structure

The Board has overall responsibility for the Group and there is a formal schedule of matters specifically reserved for decision by the Board. The Corporate Management Committee regularly monitors the Group's financial performance and cash flow. Each Executive Director has been given responsibility for specific aspects of the Group's affairs. The Executive Directors, together with key senior executives, meet regularly to discuss day to day operational matters.

Corporate Accounting and Procedures Manual

Responsibility levels are communicated throughout the Group as part of the ISO 9001: 2000 manual which sets out, amongst other things, the general ethos of the Group, delegation of authority and authorisation levels, segregation of duties and other control procedures. The manual is updated regularly and procedures are subject to internal and external audit.

Quality and Integrity of Personnel

The integrity and competence of personnel is ensured through demanding recruitment standards and subsequent training. High quality of personnel is seen as an essential part of the control environment.

Identification of Business Risks

The Compliance Manager holds quarterly meetings of divisional heads or their nominees to review identified and emerging risks and reports to the Board on any material issues. The Board is responsible for identifying the major business risks faced by the Group and for determining the appropriate course of action to manage those risks

Budgetary Process

Each year the Board approves the annual budget. Key risk areas are identified. Performance is monitored and relevant action is taken throughout the year

through regular reporting to the Board of variances from the budget.

Investment Appraisal

Capital expenditure is regulated by a budgetary process and authorisation levels. For expenditure beyond specific levels, proposals have to be submitted to the Board. Due diligence work is carried out if a business is to be acquired.

Insurances

The Company maintains insurance cover with reputable insurers and works closely with brokers, underwriters and their consultants on risk management policies and controls.

Internal Audit Function

The Internal Audit Department was established in March 2004 and terms of reference and an audit plan were reviewed and formalised by the Audit Committee in June 2004. The Internal Audit Manager liaises with the Compliance Manager in order to share information revealed by their individual activities and to efficiently co-ordinate effort. The Internal Audit Manager reports to the Audit Committee to enable it to consider the major findings of investigations and the response of management and to keep under review the effectiveness of the internal audit function.

Going Concern

The Directors confirm that the Group has adequate resources to continue in operational existence for the foreseeable future and, consequently, they continue to adopt the going concern basis in preparing the Accounts.

Directors' responsibilities for the Financial Statements

Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which 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 for that period. It is also the Directors' responsibility to maintain adequate accounting records, safeguard the assets of the Company and the Group and take reasonable steps in preventing and detecting fraud and other irregularities.

The Directors confirm that suitable accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, have been used in the

Corporate Governance

preparation of the financial statements on a going concern basis, and that applicable accounting standards have been followed.

The Directors have responsibility for the maintenance and integrity of the Annual Report and Accounts 2006 as they appear on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Corporate Social Responsibility ("CSR")

The Board is mindful of the guidelines produced by the Association of British Insurers and the attention being given to CSR issues by investors and wider stakeholder communities. The Board acknowledges the commercial and ethical importance of the development and maintenance of a culture of continuous improvement in CSR matters as far as they are relevant to the Group's activities and accepts that the implementation of a system for measuring and reporting on key CSR indicators may, over time, be appropriate.

Employees

The Board is committed to maintaining a working environment where staff are individually valued and recognised, and appreciates its responsibility to encourage and assist in the employment, training, promotion and personal career development of all employees without prejudice.

It is the Group's policy to promote equal opportunities in employment and this policy extends to employees and applicants for employment. Every effort is made to ensure that applications for employment from disabled persons are fully and fairly considered having regard to their particular aptitudes and abilities and that disabled employees have equal opportunity in training, career development and promotion. In the event of an existing employee becoming disabled, every effort is made to ensure that their employment by the Group continues and that appropriate adjustments and training are provided.

The Group recognises that its employees are fundamental to its continued success and strives to provide an environment which attracts and retains the best staff. It also places value on the involvement of its employees and keeps them informed not only on matters affecting them as employees, but also on various factors, including

economic and financial matters, affecting the performance of the Group. This is achieved through both formal and informal meetings which also provide an opportunity for the views of employees to be taken into account in making decisions which are likely to affect their interests.

Participation by eligible staff in the success of the Group is encouraged by the availability of a UK only Savings-Related Share Option Scheme and an Executive Share Option Scheme for senior staff, which aligns their interests with those of shareholders by requiring that options may only be exercised conditional upon performance criteria being achieved.

On 1 July 2005 the Alba plc Group Retirement and Death Benefits Scheme, a contracted-in money purchase scheme was closed and a Stakeholder Pension Plan, which offers comparable money purchase benefits, was established. The new arrangement provides greater flexibility and significant fund choice to members by giving them control over an individual contract in their own name. The Group's overseas subsidiaries provide mandatory pension scheme facilities for their eligible employees.

Health, Safety and Environmental Policies

The Group recognises and accepts its responsibilities for health, safety and the environment ("H, S & E"). The Compliance Manager is also responsible for compliance issues including Health & Safety advice and for the development and monitoring of H, S & E policies, procedures and control systems. He reports to the Board through the Chief Executive.

The Group is committed to maintaining a safe and healthy working environment at all its locations, which fully reflects local requirements for overseas sites, not only for our employees but also for visitors, members of the public and third parties. The Group recognises its responsibility for reducing the risk of injury and occupational related illness at the workplace. A nominee is appointed at each of our UK locations and is trained to act as a Representative for Employee Safety and to monitor adherence to agreed procedures and controls, reporting back centrally when appropriate.

The Group seeks to minimise the environmental impact of its activities and aims to operate in accordance with the standards required by law, codes of best practice and

Corporate Governance

issued guidelines. It takes a constructive and responsible stance in relation to its compliance obligations. As the Group's manufacturing is outsourced, the Board considers its own activities to be relatively low risk in environmental terms. In relation to its "producer" responsibilities for collection and recycling of electrical and electronic equipment it became a founder member of REPIC (Recycling Electrical Producers Industry Consortium), an association whose principal object is to assist its members to fulfil their obligations under the Waste Electrical and Electronic Equipment ("WEEE") Regulations. REPIC has already played a major part in influencing sector and Government thinking. The Group has also responded, independently and through its membership of SEAMA, the Small Electrical Appliance Manufacturers Association, to the relevant consultative papers and through ongoing discussions between Government officials and the Industry in relation to the development of the legislation on WEEE, the Restriction of Hazardous Substances in Electrical and Electronic Equipment ("RoHS") and the Eco-design requirements for Energy-Using Products ("EuP") Directives.

The RoHS Directive, which came into force on 1 July 2006, requires significant changes to key materials within a number of product sectors. The introduction of these regulations demanded robust forward planning and over the past year the Group has carefully monitored and assessed risk. Close liaison with its suppliers has ensured that products comply with the specific requirements of RoHS.

Key elements of the Group's social, environmental and ethical (SEE) policy are:

- i) The integration of an SEE audit into a comprehensive supplier quality assurance programme with factory audits and inspections being carried out by qualified inspectors and a qualified environmental engineer. These audits cover conditions of employment, health and safety, working conditions and environmental issues. Further details are set out under the heading "Suppliers" below.
- ii) An ongoing product review programme which assesses and minimises the environmental impact resulting from product manufacture, use and eventual disposal.
- iii) The continuation of efforts to minimise the environmental impact of product packaging through reduction at source, use of recyclable or recycled materials and the active encouragement of the proper recycling of packaging waste.
- iv) The management and control of waste disposal both from its warehouses and office facilities.
- v) The continuous improvement of efficient use of transport resources, both for the importation of products and the distribution to our customers.
- vi) The strategic location of distribution centres close to its key customer base to minimise fuel consumption and exhaust emissions.
- vii) Effective communication to management, employees and suppliers of the Group's SEE policy to ensure their commitment to practical implementation and ongoing development.

Suppliers

The Group, which is not directly involved in any manufacturing processes, seeks to develop long-term business relationships with its suppliers who are required to maintain ethical standards that are acceptable to the Group and to conduct their business dealings in a fair and honest way. These principles, which are set out in a Code of Conduct ("the Code"), extend to their relations with employees, sub contractors and other third parties.

There are specific requirements relating to employment conditions based on a respect for fundamental human rights. Issues such as a minimum wage, overtime, hours of work and sickness pay must fully comply with local laws, custom and practice. Exploitation of child labour or any other vulnerable group is not tolerated, neither is the use of forced or bonded labour nor any practice involving physical or mental abuse.

Suppliers must comply with all local laws relating to health and safety, both in the workplace and residentially where facilities are provided. The provision of adequate first aid facilities is essential at all times and in all locations. The Group requires working conditions to be of an acceptable standard with the provision, to all staff, of access to sanitation, drinking water and fire escapes, adequate

Corporate Governance

ventilation, reasonable working temperatures and arrangements for meal breaks.

Suppliers are expected to adhere to all laws and local regulations relating to the protection of the environment and to actively acknowledge their responsibility to improve the environment through participation in any local initiatives. The Code is reviewed on a regular basis and employees and suppliers are invited to contribute to the further development of it.

Relations with Shareholders

Presentations by the Chairman, Chief Executive and Financial Director to institutional shareholders and City

analysts are made on the issue of full year and interim results and as and when considered appropriate by the Board or the Company's advisers.

All shareholders are invited to attend the Company's Annual General Meeting each year and have the opportunity to put questions to the Board. The Chairmen of the Audit, Remuneration and Nomination Committees will also be available at the forthcoming Annual General Meeting to answer shareholders' questions.

By Order of the Board

J E Malin Secretary

9 August 2006

Consolidated Income Statement

	Notes	for the year ended 31 March 2006 £'millions	for the year ended 31 March 2005 £'millions
Revenue			
Group and share of joint venture		714.2	763.5
Less share of joint venture		(135.6)	(98.9)
Group revenue	2	578.6	664.6
Cost of sales		(515.5)	(587.4)
Gross profit		63.1	77.2
Net operating expenses	3	(57.5)	(55.9)
Operating Profit		5.6	21.3
Share of results of joint venture		(0.5)	2.8
Total Operating Profit		5.1	24.1
Finance costs	4	(3.8)	(3.6)
Finance income	4	1.1	1.1
Profit before tax	5	2.4	21.6
Tax	7	(1.2)	(5.2)
Profit for the period		1.2	16.4
Attributable to:			
Equity holders of the parent		1.2	16.4
Earnings per share (in pence)	8		
Basic		2.4p	32.4p
Diluted		2.3p	31.9p

Consolidated Statement of Recognised Income and Expense

Net income/(expense) recognised directly in equity:

Currency translation differences on foreign currency investments in overseas subsidiaries	3.2	(2.5)	
Currency translation differences on foreign currency investment hedges	(4.8)	0.8	
Tax on foreign currency investment hedges	1.9	(0.2)	
Profit for the period	1.2	16.4	
Total recognised income for period			
(all attributable to shareholders)	22	1.5	14.5

Group Balance Sheet

	Notes	31 March 2006 £'millions	31 March 2005 £'millions
Non-current assets			
Goodwill	10	1.2	1.2
Property, plant and equipment	11	18.2	18.8
Investment in joint venture	12	28.0	31.3
Total non-current assets		47.4	51.3
Current assets			
Inventories	14	92.4	114.7
Trade receivables and other receivables	15	83.1	101.8
Financial assets - derivative financial instruments	16	2.0	-
Tax recoverable		2.8	-
Cash and cash equivalents		2.7	5.9
Total current assets		183.0	222.4
Total assets		230.4	273.7
Current liabilities			
Bank borrowings and overdrafts	16	59.3	75.1
Trade and other payables	17	42.4	55.1
Income tax		4.6	4.0
Provisions	18	5.8	6.2
Total current liabilities		112.1	140.4
Non-current liabilities			
Bank borrowings	16	14.7	24.4
Deferred tax	19	1.4	1.9
Total non-current liabilities		16.1	26.3
Total liabilities		128.2	166.7
Total net assets		102.2	107.0
Equity attributable to equity holders of the parent			
Share capital	20	5.1	5.1
Share premium	21	18.6	18.2
Investment in own shares	21	(2.6)	(1.0)
Translation reserve	21	1.7	(1.9)
Hedging reserve	21	(3.3)	-
Other reserves	21	1.6	1.1
Retained earnings	21	81.1	85.5
Total equity	22	102.2	107.0

Company Balance Sheet

	Notes	31 March 2006 £'millions	31 March 2005 £'millions
Non-current assets			
Investments	13	25.0	25.0
Total non-current assets		25.0	25.0
Current assets			
Trade receivables and other receivables	15	34.5	34.5
Total current assets		34.5	34.5
Total assets		59.5	59.5
Current liabilities			
Trade and other payables	17	14.1	7.0
Total current liabilities		14.1	7.0
Total liabilities		14.1	7.0
Total net assets		45.4	52.5
Equity attributable to equity holders of the parent			
Share capital	20	5.1	5.1
Share premium	21	18.6	18.2
Capital reserve	21	2.7	2.7
Investment in own shares	21	(2.6)	(1.0)
Other reserves	21	1.6	1.1
Retained earnings	21	20.0	26.4
Total equity		45.4	52.5

The accounts on pages 34 to 67 were approved by the Board of Directors on 9 August 2006 and signed on its behalf by:

J E Harris **Director**

A D Rose **Director**

Group Cash Flow Statement

Notes	for the year ended 31 March 2006 £'millions	for the year ended 31 March 2005 £'millions
Cash flow from operating activities		
Cash generated from operations 23	35.0	(11.7)
Tax paid	(4.5)	(6.5)
Net cash from/(used in) operating activities	30.5	(18.2)
Cash flows from investing activities		
Purchase of investments	(1.6)	(30.4)
Purchase of property, plant and equipment (net)	(0.9)	(0.8)
Net cash flow used in investing activities	(2.5)	(31.2)
Financing activities		
Finance costs paid	(1.9)	(2.7)
Interest received	1.1	1.1
Proceeds on issue of ordinary shares	0.4	1.2
Dividends paid	(5.6)	(5.6)
New bank loans raised	-	28.7
Repayment of bank loans	(4.0)	-
Movement in bank import advances (net)	4.4	1.4
Net cash flow (used in)/from financing activities	(5.6)	24.1
Net cash flow increase/(decrease) in cash and cash equivalents	22.4	(25.3)
Net foreign exchange differences	0.3	0.3
Cash and cash equivalents at beginning of period	(31.0)	(6.0)
Cash and cash equivalents at end of period	(8.3)	(31.0)

Company Cash Flow Statement

	for the year ended 31 March 2006 £'millions	for the year ended 31 March 2005 £'millions
Operating loss	(0.8)	6.0
IFRS 2 share option charge	0.5	0.7
Decrease/(Increase) in amounts owed by subsidiaries	7.1	(1.8)
Cash flows from operating activities	6.8	4.9
Cash flows from investing activities		
Purchase of investments	(1.6)	(0.5)
Net cash flow used in investing activities	(1.6)	(0.5)
Financing activities		
Proceeds on issue of ordinary shares	0.4	1.2
Dividends paid	(5.6)	(5.6)
Net cash flow used in financing activities	(5.2)	(4.4)
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at beginning of period	-	-
Cash and cash equivalents at end of period	-	-

The Company had no net borrowings at the end of the period (2005: £NIL)

Notes to the Accounts

1 Principal Accounting Policies

Accounting policies

The Group has adopted the accounting policies set out below in preparation of this financial information. All of these policies have been applied consistently throughout the period unless otherwise stated.

Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards, as adopted by the European Union ('IFRS') and in accordance with the Companies Act 1985. The Parent Company's financial statements have also been prepared in accordance with IFRS and in accordance with the Companies Act 1985. The Directors have taken advantage of the exemption offered by section 230 of the Companies Act not to present a separate income statement for the Parent Company.

First-time application of IFRS

The Group has adopted IFRS from 1 April 2004 ("the date of transition"). This requires the Group to set out its accounting policies as at 31 March 2006 and, in most cases, apply them retrospectively in determining the IFRS opening balance sheet at the date of transition.

The comparative information for the year ended 31 March 2005 has been restated for IFRS except for the adoption of IAS 32 and IAS 39 where implementation was deferred until 1 April 2005.

In accordance with IFRS 1 (First-time Adoption of International Financial Reporting Standards) the Group is entitled to a variety of voluntary and mandatory exemptions from full restatement, which have been adopted as follows:-

(i) Business combinations – IFRS 3

The Group has the option of applying IFRS 3 prospectively from the transition date rather than restating all previous business combinations. Accordingly combinations prior to 1 April 2004 have not been restated. As a result, the carrying value of goodwill is frozen at 1 April 2004. In addition, goodwill previously written off to reserves under UK GAAP will be deemed to be zero and therefore will not be used in the calculation of any gain or loss on disposal of the acquired entity.

(ii) Property, plant and equipment – IAS 16

The Group has elected to retain the UK GAAP value of property, plant and equipment at historic cost at the date of transition.

(iii) Share-based payments – IFRS 2

IFRS 2 has been applied to all options granted after 7 November 2002 which had not vested at 1 April 2005.

(iv) Effects of changes in foreign exchange rates – IAS 21

The Group has the option of applying IAS 21 prospectively from the transition date rather than restating all previous translation differences as a separate component of equity. Accordingly, such translation differences prior to 1 April 2004 have not been restated and, as a result, will not be used in the calculation of any gain or loss on disposal of an acquired entity.

(v) Financial instruments, Disclosure and Presentation – IAS 32 & Financial Instruments Recognition and Measurement – IAS 39

As permitted by IFRS 1, the Group has decided to take the option to defer implementation of IAS 32 and 39 until the year ending 31 March 2006. In accordance with IFRS 1 paragraph 36A comparative information for financial instruments for the year ended 31 March 2005 has been prepared in accordance with UK GAAP.

A reconciliation and a description of the effect of transition from UK GAAP to IFRS on the Group's equity and net income are provided in Note 26. Other than presentational differences, there are no changes in the Group's cash flows.

Basis of consolidation

The financial information consolidates the financial information of Alba plc, its subsidiary undertakings and incorporates the results of its joint venture. The financial information of subsidiaries is prepared for the same reporting period as the parent company using consistent accounting policies.

(i) Subsidiaries

Subsidiaries are entities over which the Group has control, being the power to govern the financial and operating policies of the acquired entity so as to obtain benefits from its activities. The results of subsidiaries acquired

Notes to the Accounts

or sold in the year are consolidated from the effective date of acquisition or to the effective date of disposal as appropriate.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the fair value of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of identifiable net assets acquired is credited to the income statement in the period of acquisition.

(ii) Joint venture entities

Joint venture entities are those entities over which the Group exercises joint control through a contractual arrangement. The results, assets and liabilities of joint venture entities are incorporated in the financial statements using the equity method of accounting. Investments in joint venture entities are initially carried in the balance sheet at cost and adjusted by post acquisition changes in the Group's share of net assets of the entity, less any impairment in the value of individual investments.

Any excess of the cost of acquisition over the Group's share of the fair values of the identifiable net assets of the joint venture entity is recognised as goodwill. Any deficiency of the cost of acquisition below the Group's share of the fair values of identifiable net assets of the joint venture entity at the date of acquisition is credited to the income statement in the period of acquisition.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses represents any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities required. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on the acquisitions of joint venture entities is included in investments in associates and joint venture entities.

In accordance with IFRS 3 with effect from 1 April 2004, goodwill is not amortised but tested for impairment annually or when there are any other indications that its carrying value is not recoverable. As such, it is stated at cost less any provision for impairment in value.

Goodwill arising on acquisitions prior to 31 March 1995 was written off to reserves as a matter of accounting policy in accordance with the accounting standard then in force. As has been permitted with accounting standards since this date and most recently IFRS 3, the goodwill previously written off to reserves has not been reinstated in the balance sheet.

Revenue

Revenue, which excludes value added tax and sales between Group companies, represents the invoiced value of goods sold in the period, net of expected warranty liabilities.

Taxation

The tax expense represents the sum of the corporation tax currently payable and the deferred tax charge.

The corporation tax currently payable is based on taxable profit for the period. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted by the balance sheet date.

Current and deferred tax are recognised in the income statement, except when the tax relates to items charged or credited directly in equity, in which case the tax is also recognised in equity.

Notes to the Accounts

Share based payments

The Group issues equity-settled share-based payments to certain employees (including Directors). The fair value of these payments is calculated by the Group using the Black Scholes option pricing model. The expense is recognised on a straight line basis over the period from the date of award to the date of vesting, based on the Group's best estimate of shares that will eventually vest.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and depreciated over their expected useful lives on a straight line basis as follows:-

Land and buildings 2 per cent per annum or over the term of the lease

Furniture, fixtures and equipment 15 per cent per annum

Motor vehicles 25 per cent per annum

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost represents all direct costs incurred in bringing stocks to their current condition and location including an appropriate proportion of overheads and is calculated using a weighted average cost formula.

Investments

Investments are shown at cost. Provisions for temporary fluctuations in value are made if material.

Foreign currencies

(i) Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Sterling, which is the Company's functional and presentational currency.

(ii) Transactions and balances

Transactions denominated in foreign currencies are translated into Sterling at contracted rates or, where no contract exists, at average monthly rates.

Monetary assets and liabilities denominated in foreign currencies which are held at the year end are translated into Sterling at the year end exchange rates. Exchange

differences on monetary items are taken to the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges. Translation differences on any non-monetary items are reported as part of the fair value gain or loss.

(iii) Group companies

The balance sheets of overseas subsidiary undertakings are translated into Sterling at the rate of exchange ruling at the balance sheet date. Profits and losses of overseas subsidiary undertakings are expressed in Sterling utilising average monthly rates. Exchange differences arising on the translation of the opening shareholder's funds are recognised as a separate component of equity, within the translation reserve.

On consolidation, exchange differences arising from the retranslation of the net investment in foreign entities, and of borrowings designated as hedges of such investments, are taken to shareholder's equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

In accordance with the transitional provisions of IFRS 1 First-time Adoption of IFRS, the cumulative translation reserve by entity has been set to zero at the date of transition to IFRS.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Borrowing costs

The Group capitalises borrowing costs, being interest on bank import advances, relating to the purchase of inventories. The capitalisation rate is based on an estimate of inventory transit times and a weighted average of the borrowing costs.

This policy reflects adoption of the alternative treatment of borrowing costs allowable under IAS 23.

Debt instruments

Loans and borrowings are initially recognised at a fair value of the consideration received less directly attributable issue costs.

Notes to the Accounts

Loans and borrowings are subsequently measured at amortised cost using the effective interest rate method.

Leases

Assets held under operating leases are not reported in the balance sheet. Assets held under finance leases are capitalised at the fair value of the asset with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability, and allocated to cost of sales and other operating expenses as appropriate. Rentals under operating leases are charged on a straight-line basis over the lease term. Hire purchase transactions are dealt with similarly except that assets are depreciated over their useful lives.

Pensions

Group companies contribute to defined contribution pension schemes on behalf of the Directors and other members of staff. Costs are charged to the income statement as incurred.

Treasury shares

The Group has purchased some of its own shares during the period which remain uncancelled. The consideration paid for the Group's own shares has been recognised as a deduction from shareholders' funds as a separate reserve, "Investment in own shares", which also includes shares held in the Group's ESOP Trust. The issue of the shares from the ESOP Trust is now accounted for as a reserve movement, not recognised in the income statement as in previous years.

First time adoption IAS 32 & 39

The adoption of IAS 32 Financial Instruments Disclosure and Presentation and IAS 39 Financial Instruments Recognition and Measurement with effect from 1 April 2005 results in a change in the Group's accounting policy for financial instruments. The fair value of instruments used for hedging foreign currency at 31 March 2005 was £2m. Had these been recognised in the balance sheet, the effect would have been to increase current assets and reserves by this amount.

The principal impact of IAS 32/39 on the Group's financial statements relates to the recognition of derivative financial instruments at fair value. Financial assets and financial liabilities that arise on derivatives that do not qualify for hedge accounting are held on the balance sheet at fair value with the changes in value reflected through the income statement. The accounting treatment of derivatives that qualify for hedge accounting depends on how they are designated. The varying accounting treatments are explained below:-

(i) Cash flow hedges

The Group hedges the foreign currency exposure on inventory purchases. Under UK GAAP foreign currency derivatives were held off balance sheet. Under IAS 39, derivative financial instruments that qualify for cash flow hedging are recognised on the balance sheet at fair value with corresponding fair value changes deferred in equity within the hedging reserve to be transferred to the income statement in the period during which the exchange movement on the hedged item is recognised in the income statement.

(ii) Net investment hedges

The gains or losses on the translation of currency borrowings and cross currency swaps used to hedge the Group's net investments in foreign entities are recognised in equity within the hedging reserve to be transferred to the income statement in the period during which the exchange movement on the hedged item is recognised in the income statement. Provided the hedging requirements of IAS 39 are met and the hedging relationship is fully effective, this treatment does not differ from UK GAAP.

Warranty provision

A provision is made in the period of sale to cover the estimated future liability for warranty returns and the associated costs. Costs actually incurred are charged against this provision. Costs in excess of the provision are recognised directly through the income statement whilst any over provision of these costs is released through the income statement where such costs are lower than anticipated.

Notes to the Accounts

New standards and interpretations not applied

During the year, the IASB and IFRIC have issued the following standards and interpretations with an effective date after the date of these financial statements:

International Accounting Standards (IAS/IFRSs)	Effective date - financial periods beginning on or after
IFRS 6 Exploration for and Evaluation of Mineral Assets	1 January 2006
IFRS 7 Financial Instruments: Disclosures	1 January 2007

International Financial Reporting Interpretations Committee (IFRIC)	Effective date - financial periods beginning on or after
IFRIC 4 Determining whether an arrangement contains a lease	1 January 2006
IFRIC 5 Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2006
IFRIC 6 Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 December 2005
IFRIC 7 Applying the Restatement Approach under IAS 39 Financial Reporting in Hyperinflationary Economies	1 March 2006
IFRIC 8 Scope of IFRS 2	1 May 2006
IFRIC 9 Reassessment of Embedded Derivatives	1 June 2006

Other than in respect of IFRIC 6, the Directors do not anticipate that the adoption of these standards and interpretations will have a material impact on the Group financial statements in the period of initial application. With regard to IFRIC 6, as the basis of charging and the date of implementation of the WEEE directive is still to be established, it is not possible to predict with any certainty what, if any, impact there will be on the Group's financial statements in the period of initial application.

Upon adoption of IFRS 7, the Group will have to disclose additional information about its financial instruments, their significance and the nature and extent of risks that they give rise to. More specifically the Group will need to disclose the fair value of its financial instruments and its risk exposure in greater detail. There will be no effect on reported income or net assets.

Critical accounting estimates and judgments

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year relate to warranty claims and stock provisions.

The Group generally offers one year warranties on its products. Management estimates the related provision for future warranty claims based on historic warranty claim information, as well as recent trends that might suggest past cost information may differ from future claims. Factors that could impact the estimated claim information include the success of the Group's quality initiatives, as well as parts and labour costs.

The Group makes provisions against the carrying value of stock where it is likely this is above the net realisable value based on management estimates of the likely sales price. Factors that could impact this pricing include the speed of change of technology and movement in replacement costs.

Notes to the Accounts

2 Segment Information

(a) Primary reporting format - geographical segments.

For management purposes, the Group is currently organised into the following management and reporting divisions: UK, Mainland Europe and the Far East. All divisions undertake the marketing and sales of the Group's products. Additionally, the Far East division undertakes sourcing and quality control functions. These divisions are the basis on which the Group reports its primary segment information as below:

	Year ended 31st March 2006				Year ended 31st March 2005			
	UK £'millions	Mainland Europe £'millions	Far East £'millions	Total £'millions	UK £'millions	Mainland Europe £'millions	Far East £'millions	Total £'millions
Revenue								
External Sales	478.2	44.5	55.9	578.6	532.4	89.2	43.0	664.6
Inter-segment sales	-	-	25.7	25.7	-	-	43.6	43.6
Operating profit before share of results of Joint Venture	1.4	(2.9)	7.1	5.6	14.4	(0.7)	7.6	21.3
Share of results of Joint Venture	(0.5)	-	-	(0.5)	2.8	-	-	2.8
Operating Profit	0.9	(2.9)	7.1	5.1	17.2	(0.7)	7.6	24.1
Finance costs				(2.7)				(2.5)
Profit before tax				2.4				21.6
Segment assets	80.8	23.8	97.8	202.4	114.3	48.0	80.1	242.4
Joint venture	28.0	-	-	28.0	31.3	-	-	31.3
Total assets	108.8	23.8	97.8	230.4	145.6	48.0	80.1	273.7
Total liabilities	(84.9)	(20.8)	(22.5)	(128.2)	(105.2)	(42.4)	(19.1)	(166.7)
Net assets	23.9	3.0	75.3	102.2	40.4	5.6	61.0	107.0
Capital expenditure	0.7	0.2	0.2	1.1	0.7	-	0.1	0.8
Depreciation charge	1.3	0.1	0.1	1.5	1.0	0.1	0.1	1.2

(b) Secondary reporting format - business segments.

Given the range of products and the basis on which the Group operates, the Directors consider that for the period being reported on, there was only one business segment consisting of the sourcing and distributing of electronic and audio equipment and domestic appliances.

Notes to the Accounts

(c) The geographical analysis of turnover by destination is as follows:

	Group £'millions	Share of joint venture £'millions	for the year ended 31 March 2006 £'millions	Group £'millions	Share of joint venture £'millions	for the year ended 31 March 2005 £'millions
Revenue						
United Kingdom	498.4	–	498.4	541.4	–	541.4
Italy	17.5	10.9	28.4	49.5	8.9	58.4
Germany	29.3	57.5	86.8	32.9	51.4	84.3
Switzerland	2.5	7.4	9.9	5.2	4.1	9.3
France	3.6	7.1	10.7	3.9	2.0	5.9
Rest of Europe	26.6	62.3	88.9	30.6	42.6	73.2
Rest of World	0.7	3.3	4.0	1.1	2.0	3.1
	578.6	148.5	727.1	664.6	111.0	775.6
less : 50% of Group sales to Grundig	–	(12.9)	(12.9)	–	(12.1)	(12.1)
	578.6	135.6	714.2	664.6	98.9	763.5

	for the year ended 31 March 2006 £'millions	for the year ended 31 March 2005 £'millions
3 Net Operating Expenses		
Selling and distribution	17.8	18.1
Administration	39.8	38.2
Other operating income	(0.1)	(0.4)
	57.5	55.9

	for the year ended 31 March 2006 £'millions	for the year ended 31 March 2005 £'millions
4 Finance costs/income		
Finance costs comprise:		
Interest on bank loans and overdrafts repayable within 5 years	1.9	2.7
Group's share of joint venture's finance costs	1.9	0.9
	3.8	3.6
Finance income comprises:		
Bank interest receivable	0.1	0.2
Interest from joint venture	1.0	0.9
	1.1	1.1

Notes to the Accounts

	for the year ended 31 March 2006 £'millions	for the year ended 31 March 2005 £'millions
5 Profit on ordinary activities before taxation is stated after charging		
Directors' emoluments	1.8	1.8
Auditors' remuneration		
Audit services – UK (Parent Company's auditors)	0.2	0.1
– Overseas	0.1	0.1
Depreciation of fixed assets:		
Owned	1.5	1.2
Amounts paid in respect of operating leases for plant and machinery	0.5	0.4
Gains on foreign currency borrowings	0.3	0.9

Audit services - overseas includes £3,000 (2005 : £4,000) payable to one member of the Parent Company's auditors' international network.

The Parent Company's auditors received fees for non audit services totalling £14,800 (2005 : £9,300), including £3,000 (2005 : £3,000) in respect of the audit of the Group's UK pension scheme.

	for the year ended 31 March 2006 £'millions	for the year ended 31 March 2005 £'millions
6 Employee Information		
Staff Costs (including Directors) were:		
Wages and salaries	26.1	24.2
Social security costs	2.2	2.2
Pension contributions	0.7	0.8
Share based payments	0.5	0.7
	29.5	27.9

Key management, consisting of the Main Board Directors and the Directors of the UK subsidiary companies, received the following compensation:

Wages and salaries	3.7	3.8
Pensions	0.2	0.4
Benefits	0.3	0.1
Share based payments	0.3	0.5
	4.5	4.8

	Number	Number
The average number of persons employed by the Group (including Directors) during the year was as follows:		
Selling and administration	378	375
Warehousing, distribution and manufacturing	534	517
	912	892

In addition to the emoluments disclosed above the Directors received shares to a total value of £Nil (2005 : £0.3m) as a result of the release of awards under the Long-Term Incentive Plan.

Details of Directors' emoluments in aggregate for each Director and share options are given in the Remuneration Report.

Notes to the Accounts

	for the year ended 31 March 2006 £'millions	for the year ended 31 March 2005 £'millions
7 Taxation		
The tax charge comprises:		
UK corporation tax on profits for the year at 30% (2005 : 30%)	0.4	3.2
Adjustments for previous periods	–	(0.3)
	0.4	2.9
Non-UK taxation - Group	0.9	1.5
- Share of joint venture	0.4	0.5
Total current taxation	1.7	4.9
Deferred tax: Origination and reversal of temporary timing differences	(0.5)	0.3
Total taxation expense in the income statement	1.2	5.2

Factors affecting taxation expense:

The taxation expense on the profit for the year differs from the amount computed by applying the corporation tax rate to the profit before taxation as a result of the following factors:

Profit on ordinary activities	2.4	21.6
Notional tax expense at UK rate of 30% (2005 : 30%)	0.7	6.5
Effects of:		
Share of results of joint venture	0.4	0.5
Non allowable and non taxable items	(0.3)	(1.3)
Timing differences not recognised	1.0	(0.2)
Tax losses not recognised	–	0.9
Different tax rates on non-UK profits	(0.6)	(0.9)
Adjustments to tax charges for previous periods:		
UK corporation tax	–	(0.3)
Total taxation expense	1.2	5.2

Tax on items charged to equity:

Tax charge on exchange movements offset in reserves:		
Tax relating to hedging and translation movements	1.9	0.2
Total taxation on items taken directly to equity	1.9	0.2

8 Earnings per Ordinary Share

Earnings per share are based upon earnings of £1.2m (2005 : £16.4m) and 50,601,004 (2005 : 50,666,378) Ordinary Shares being the weighted average number of shares in issue excluding the shares held by the Alba plc ESOP Trust.

Diluted earnings per share are based upon earnings of £1.2m (2005 : £16.4m) and 51,306,447 (2005 : 51,367,806) Ordinary Shares allowing for the exercise of outstanding share options exercisable at a price below the average value during the period and the shares held by the Alba plc ESOP Trust.

Notes to the Accounts

9 Dividends	for the year ended 31 March 2006 £'millions	for the year ended 31 March 2005 £'millions
Interim payable in respect of prior year 2.25p (2005 : 2.25p)	1.1	1.1
Final paid in respect of prior year 8.75p (2005 : 8.75p)	4.5	4.5
	5.6	5.6

The Directors declared an interim dividend of 2.25p (2005: 2.25p) net per Ordinary Share payable on 24 April 2006 to shareholders on the register at 31 March 2006 and propose a final dividend of 8.75p (2005: 8.75p) net per Ordinary Share payable on 23 October 2006 to Shareholders on the register at 29 September 2006. There are no tax consequences for the company of making these distributions.

10 Goodwill

Goodwill represents the goodwill arising on acquisition of Pulse Home Products Limited. The Group has adopted IFRS 3 'Business Combinations' with effect from the date of transition to IFRS. In accordance with IFRS 3, goodwill is no longer amortised but rather tested for impairment on an annual basis. The recoverable amount is based on value in use calculations, using cash flow projections based on financial budgets approved by management. There has been no impairment in value during the period.

11 Property, plant and equipment	Freehold Property £'millions	Leasehold Land and Buildings £'millions	Furniture, Fixtures and Equipment £'millions	Motor Vehicles £'millions	Total £'millions
Group:					
Cost					
At 1 April 2005	6.6	10.9	10.8	0.7	29.0
Additions	–	0.2	0.8	0.1	1.1
Disposals	–	–	(0.4)	–	(0.4)
At 31 March 2006	6.6	11.1	11.2	0.8	29.7
Aggregate depreciation					
At 1 April 2005	0.8	1.6	7.2	0.6	10.2
Amount provided	0.1	0.3	1.0	0.1	1.5
Elimination on disposals	–	–	(0.2)	–	(0.2)
At 31 March 2006	0.9	1.9	8.0	0.7	11.5
Net book value					
At 31 March 2006	5.7	9.2	3.2	0.1	18.2
At 1 April 2005	5.8	9.3	3.6	0.1	18.8

The Leasehold land and buildings comprise premises with unexpired terms of over 50 years.

Notes to the Accounts

12 Investment in joint venture

	Group 31 March 2006 £'millions	Group 31 March 2005 £'millions
At 1 April 2005	31.3	–
Acquired during year	–	29.9
Share of loss/profit after taxation	(2.8)	1.0
Currency translation differences	(0.5)	0.4
At 31 March 2006	28.0	31.3

The Group's share of the trading of Grundig for the period ending 31 March 2006 and its share of the assets of Grundig as at 31 March 2006 may be summarised as follows:

Revenue	148.5	111.0
Less: 50% of Group sales to Grundig	(12.9)	(12.1)
Income	135.6	98.9
Expenses	138.0	97.4
(Loss)/profit before tax	(2.4)	1.5
Taxation	(0.4)	(0.5)
(Loss)/profit after taxation	(2.8)	1.0
Goodwill on acquisition	2.0	2.0
Non current assets	10.4	10.5
Current assets	65.2	61.6
	77.6	74.1
Creditors: amounts falling due within one year	(47.3)	(40.4)
Creditors: amounts falling due after more than one year	(2.3)	(2.4)
Total net assets	28.0	31.3

The Group's turnover for the year includes £25.8 million (2005 : £24.2) of sales to Grundig and at 31 March 2006, Grundig owed the Group £7.7 million (2005: £10.7 million) in respect of these sales. The agreement between the Group and its joint venture partner precludes the distribution of retained profits until the shareholder loans have been paid off in full.

The agreement between the Group and its joint venture partner include pre-emption rights in respect of a disposal of shares in Grundig.

Notes to the Accounts

13 Investments

Investments in Subsidiaries:

	Company 31 March 2006 £'millions	Company 31 March 2005 £'millions
Shares at cost at beginning and end of year	25.0	25.0

A summary of the principal subsidiary companies is shown below:

Name of Company	Country of incorporation and principal place of business	% of capital held	Class of capital issued	Nature of Business
Held directly:				
Alba Radio Limited	England	100	521,004 £1 ordinary shares	Audio, video, telecoms and consumer electronic equipment importer and distributor
Bush Radio plc	England	100	9,400,000 10p ordinary shares	
Goodmans Industries Limited	England	100	400,000 £1 ordinary shares 700,000 £1 redeemable ordinary shares	
Harvard International Limited	England	100	1,000 £1 ordinary shares	Importer and distributor
Pulse Home Products Limited	England	100	10,722,000 £1 ordinary shares	Domestic appliance importer and distributor
Held indirectly:				
Harvard Maritime Limited	Hong Kong	100	100,000,000 HK\$1 ordinary shares, 960,000,000 HK\$1 redeemable ordinary shares	Importer and exporter
Alba France SA	France	100	500,000 Euro 1 ordinary shares	Importer and distributor
Harvard International (Hong Kong) Limited	Hong Kong	100	5,000 HK\$10 ordinary shares	Inspection, sourcing and administration services
Roadstar Management SA	Switzerland	100	2,700 CHF1,000 ordinary shares	Management, importer and exporter
Roadstar Italia SpA	Italy	100	450,000 Euro 10 ordinary shares	Importer and distributor
Roadstar UK Limited	England	100	100,000 £1 ordinary shares	Importer and distributor
Roadstar Deutschland GmbH	Germany	100	Euro 25,565 ordinary share, Euro 230,081 ordinary share and Euro 255,646 ordinary share	Importer and distributor
Bush Australia PTY Limited	Australia	100	100,000 Aus\$1 shares	Importer and distributor

Advantage has been taken of the exemptions available under the Companies Act 1985 not to disclose all the Group subsidiary companies.

A full list of subsidiaries will be included in the next annual return.

Notes to the Accounts

14 Inventories	Group 31 March 2006 £'millions	Group 31 March 2005 £'millions
Goods for resale	87.8	111.0
Stock in transit	4.6	3.7
	92.4	114.7

The cost of inventories recognised as an expense and included in the income statement in cost of sales amounted to £515.5 million (2005: £587.4 million). In 2006 £4.4 million (2005: £6.6 million) of inventory provisions were charged in the income statement. The cost of stocks include interest of £0.4 million (2005 : £0.6 million). Approximately, £40 million of this stock is pledged as security against the specific bank import advance.

15 Trade receivables and other receivables	Group 31 March 2006 £'millions	Group 31 March 2005 £'millions	Company 31 March 2006 £'millions	Company 31 March 2005 £'millions
Trade debtors	73.7	93.7	-	-
Amounts owed by subsidiaries	-	-	34.5	34.5
Other debtors	3.4	3.2	-	-
Value Added Tax	0.7	0.5	-	-
Prepayments and accrued income	5.3	4.4	-	-
	83.1	101.8	34.5	34.5

16 Financial risk management and financial instruments	Group 31 March 2006 £'millions	Group 31 March 2005 £'millions
Financial assets - derivative financial instruments	2.0	-

No derivative financial instruments were designated as hedges during the year and as such, all gains and losses went through the income statement. All open derivative contracts will be settled within the following twelve months.

The Group's current and non-current financial liabilities are as follows:

Current:

Bank overdrafts	11.0	36.9
Bank import advances	38.3	33.9
Bank loans repayable within one year	10.0	4.3
	59.3	75.1

Non current:

Bank loans		
Repayable after one but within two years	10.0	9.9
Repayable after one but within three years	3.0	9.9
Repayable after one but within four years	1.7	3.0
Repayable after one but within five years	-	1.6
	14.7	24.4

The bank import advances are specifically secured on the related imported merchandise.

Notes to the Accounts

Bank loans	2006 £'millions	2005 £'millions
Current	10.0	4.3
Non current	14.7	24.4
	24.7	28.7

Loan repayment dates, interest rates and principal terms	Notes	Maturity	Interest rate	2006 £'millions	2005 £'millions
Committed bank loans					
EUR 25.0 million bank loan	1,2,3	May-07	LIBOR + 1.25%	13.9	14.9
EUR 20.0 million bank loan	1,2,3	May-09	LIBOR + 1.25%	10.8	13.8
				24.7	28.7

Notes:

1. Interest payment and capital repayments are made on a half yearly basis. The schedule for repayment of the principal amounts is outlined above.
2. There is no fair value interest rate risk prior to maturity.
3. These loans are subject to several financial covenants. Failure of certain covenants would allow the lender under the relevant agreement to demand immediate repayment of loans made to the Group. Such covenants are tested on a regular basis.

Hedging transactions

Alba plc hedges the value of its net investments in the Grundig joint venture by way of bank loans designated in the functional currency of Grundig (Euro) and its net investment in its Hong Kong subsidiaries by way of a bank loan designated in US Dollars, to which the functional currency of these companies (Hong Kong Dollars) is tied. There is a right of set off against a deposit of a similar amount and as such the Hong Kong Dollar loan has been netted off against cash and cash receivables in the balance sheet. The fair value of these hedging instruments is shown above.

Fair value of financial assets and liabilities

Derivative financial instruments are recognised at fair value in the balance sheet. Such instruments were not recognised in the balance sheet in the prior year, but would have carried a fair value of £2.0 million.

The carrying value of all other financial assets and liabilities, including trade balances, cash and cash equivalents, and bank loans, approximate to their fair values in both the current and prior years.

Fair value estimation

The fair value of derivative financial instruments are based on 'Mark to Market' prices as provided by the Group's bankers. The nominal value less impairment provision of trade receivables and payables, as well as bank loans, are assumed to approximate their fair value.

None of the Group's financial instruments were traded in active markets at the balance sheet date.

Financial risks

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged since 1 April 2005.

Interest rate risk

The Group finances its operations through a mixture of retained profits and bank borrowings. The Group borrows in the desired currencies at floating rates of interest. It is the view of the Group that banks are service providers in

Notes to the Accounts

the same way as shipping companies, insurance companies etc. Having many banks, the Group can utilise this competitive situation to ensure that all banks lend on best borrowing terms. This is further enhanced by the fact that banks have traditionally provided facilities at lower rates of interest on trade finance than for other types of borrowing because of the short-term nature of the liability. Added to this the Group has enjoyed an unblemished reputation with its banks for many years, having always been extremely prompt in meeting its obligations and handling all matters appertaining to its business with banks efficiently.

Liquidity risk

As regards liquidity, the Group's policy has sought, since the current structure was first established in the 1970's, to ensure continuity of funding through the maintenance of excellent relationships with its banks. Through the use of extensive Letter of Credit facilities financed via bank import advances, the Group is able to ensure the availability of required funding, whilst offering the banks the comfort and security that allows facilities to be readily increased as and when required.

Foreign currency risk

Most of the Group's purchases are in currencies different from the selling currency. It is the Group's policy to eliminate 70 - 80% of this exposure when purchase programmes are planned through a combination of forward currency contracts and options. All remaining exposure is eliminated at the time of shipment. Gains and losses on instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. Unrecognised gains and losses on instruments used for hedging at 31 March 2006 amount to a £2.0 million gain (2005 : £2.0 million gain).

The Group's policy does not give rise to instruments used for hedging having more than one year to their maturity. As a result any unrecognised gain or loss on instruments used for hedging at the balance sheet date will be recognised in the profit and loss account of the next accounting period.

The Group has overseas subsidiary and joint venture companies, operating throughout Europe, Hong Kong and Australia. The Group's Sterling balance sheet is partly protected from movements in exchange rates by financing a proportion of its net investment in foreign currencies.

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, investments and derivative financial instruments.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The Group is exposed to credit risk via its trade receivables. Concentrations of credit risk will also exist due to material amounts receivable from individual customers. Major customers are all blue chip institutions and procedures are in place to ensure customers have appropriate credit histories. The maximum credit risk exposure at the balance sheet date is in total represented by the trade receivables figure, which is net of appropriate provisions.

Interest rate risk profile of financial assets and financial liabilities

The Group has no financial assets, other than short-term debtors and cash at bank. The Group's net financial liabilities at 31 March 2006, excluding short term debtors and creditors were:

Currency	31 March 2006 £'millions	31 March 2005 £'millions
Sterling	23.0	27.4
US Dollar	23.2	27.4
HK Dollar	0.6	12.0
Euro	24.5	27.5
CHF	-	(0.7)
	71.3	93.6

All the above were at a floating rate of interest. The floating rate financial liabilities comprise:

- Sterling denominated bank borrowings and overdrafts that bear interest at rates based on either the Base Rate or LIBOR, and
- Foreign denominated bank borrowings that bear interest at rates based on the US Prime rate, FIBOR and similar.

Currency exposures

As explained above, the Group's objectives in managing the currency exposures arising from its net investment overseas are to retain some potential for currency related appreciation while partially hedging against currency

Notes to the Accounts

depreciation. Gains and losses arising from these structural currency exposures are recognised in the statement of recognised income and expense.

The table below shows the Group's currency exposures; in other words, those transactional (or non-structural) exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposure comprises the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or 'functional') currency of the operating unit involved. As at 31 March 2006 the exposures were as follows:-

Functional currency of Group operation	Net foreign currency monetary assets/(liabilities) in £' millions									
	£		US\$		Euro		CHF		TOTAL	
	2006	2005	2006	2005	2006	2005	2006	2005	2006	2005
HK\$	0.3	0.7	2.5	3.3	-	-	-	-	2.8	4.0
US\$	-	-	-	-	1.1	2.6	(0.2)	0.1	0.9	2.7
£	-	-	(0.1)	2.8	(24.1)	(28.2)	-	-	(24.2)	(25.5)
	0.3	0.7	2.4	6.1	(23.0)	(25.7)	(0.2)	0.1	(20.5)	(18.8)

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 March 2006 was as follows:-

	31 March 2006 £' millions	31 March 2005 £' millions
In one year or less, or on demand	56.6	69.2
In more than one year but less than two years	10.0	9.9
In more than two years but less than three years	3.0	9.9
In more than three years but less than four years	1.7	3.0
In more than four years but less than five years	-	1.6
	71.3	93.6
Less: amounts due for settlement within one year	(56.6)	(69.2)
Non-current liabilities	14.7	24.4

Borrowing facilities

As at 31 March 2006 the Group had undrawn borrowings and trade finance related facilities of approximately £207 million, all of which is renewable within one year.

17 Trade and other payables

	Group 31 March 2006 £'millions	Group 31 March 2005 £'millions	Company 31 March 2006 £'millions	Company 31 March 2005 £'millions
Trade creditors	30.2	41.9	-	-
Amounts owed to subsidiaries	-	-	14.1	7.0
Other creditors	5.2	4.2	-	-
Other taxation and social security	1.4	3.0	-	-
Accruals	5.6	6.0	-	-
	42.4	55.1	14.1	7.0

18 Provisions

	Group 31 March 2006 £'millions
Warranty provision:	
Balance at 1 April 2005	6.2
Charged to the Income statement	30.8
Utilised in year	(31.2)
Balance at 31 March 2006	5.8

As part of the review necessitated by the introduction of IFRS the Group has taken the decision to change the way it accounts for the estimated future liability for warranty returns and the associated costs. As a result of this change, the Group has restated prior periods. The effect of these restatements is shown in Note 26. The provision is based on an assessment of future claims with reference to past claims and is expected to be utilised within the following financial year.

Notes to the Accounts

19 Deferred Taxation	Excess capital allowances £'millions	Other £'millions	Losses £'millions	Total £'millions
At 1 April 2004	2.2	(0.4)	(0.2)	1.6
Charge/(credit) to income statement	(0.1)	0.2	0.2	0.3
Charge/(credit) to equity	-	-	-	-
At 31 March 2005	2.1	(0.2)	-	1.9
Deferred tax (asset)	-	(0.2)	-	(0.2)
Deferred tax liability	2.1	-	-	2.1
At 31 March 2005	2.1	(0.2)	-	1.9
Transitional adjustments	-	-	-	-
Charge/(credit) to income statement	-	-	(0.5)	(0.5)
Charge/(credit) to equity	-	-	-	-
At 31 March 2006	-	-	(0.5)	(0.5)
Deferred tax (asset)	-	(0.2)	(0.5)	(0.7)
Deferred tax liability	2.1	-	-	2.1
At 31 March 2006	2.1	(0.2)	(0.5)	1.4

At 31 March 2006 the Group had operating losses and other temporary timing differences carried forward in respect of which no deferred tax assets were recognised amounting to £12.9 million. The expiry date of operating losses carried forward is dependent upon tax law within the territory in which the loss arose.

The operating losses together with their expiry dates, and other temporary timing differences may be categorised on a regional basis between members of the Group as follows:

	2006 £'millions	Expiration dates
Losses:		
UK	1.7	No expiry
Europe	8.0	2009-2011
Other:		
Europe	3.2	No expiry
Total	12.9	

At the balance sheet date, the undistributed earnings of overseas subsidiaries capable of making a dividend was £19.1 million. No deferred tax liabilities have been recognised in respect of unremitted earnings because the Group is in a position to control the timing of the reversal of these temporary timing differences and it is probable that such differences will not reverse in the foreseeable future.

Notes to the Accounts

20 Called up Share Capital	Group and Company 31 March 2006 £'millions	Group and Company 31 March 2005 £'millions
Authorised: 60,000,000 Ordinary Shares of 10p each (2005 : 60,000,000 Ordinary Shares of 10p each)	6.0	6.0
Allotted, called up and fully paid:		
At 1 April 2005 (51,097,154 Ordinary Shares of 10p each)	5.1	5.1
Options exercised (158,225 Ordinary Shares of 10p each)	–	–
At 31 March 2006 (51,255,379 Ordinary Shares of 10p each)	5.1	5.1

The Group operates the following share option schemes and incentive plan:

Savings-Related Share Option Scheme – Since 1987 the Company has operated Save-As-You Earn (SAYE) plans for UK employees. Under the current plan which was established by the Company and approved by the Inland Revenue in September 1996, employees can save a portion of their salary over periods of three, five or seven years, subject to a cumulative maximum investment of £250 per month for each individual. At the end of the relevant period the employee has the option to purchase ordinary shares with the accumulated fund, which includes a tax free bonus, at a purchase price equal to 80% of the market price prevailing at the time the employees are invited to participate in the plan. Options that are not exercised within six months of the third, fifth or seventh anniversary of the grant lapse unconditionally.

Executive Share Option Schemes – Options are granted to senior management at an exercise price equal to the market price of the Company's shares on the day immediately preceding the date of grant. Options granted prior to 1996 are not subject to performance conditions. The exercise of options granted since 1996 is subject to growth in the adjusted earnings per share of the Company over a three year period prior to exercise. Subject to the performance conditions being achieved, options are exercisable from the third anniversary of the date of grant and lapse if they remain unexercised at the tenth for approved options and at the seventh for unapproved options.

Long-Term Incentive Plan – This plan was established in 1998 and received shareholder approval at the Company's Annual General Meeting held on 18th September 1998. Awards of shares are granted to Executive Directors and other executives by the Trustees of the Alba plc ESOP Trust following the acceptance of recommendations made by the Remuneration Committee. The shares conditionally awarded are held in trust for a period of three years from the award date (the performance period) and their release is conditional upon and allocated in equal portions to the achievement of Total Shareholder Return and Earnings per Share targets during the performance period. If neither of the targets is achieved the awards lapse and the shares retained by the Trust.

During the year 120,000 Ordinary Shares of 10p each were issued for £307,000 under the Alba plc Executive Share Option Scheme, and 38,225 Ordinary Shares of 10p each were issued for £133,788 under the Alba plc 1996 Savings-Related Share Option Scheme. Subsequent to the year end no Ordinary Shares were issued under any of the share option schemes.

Options over the Company's share capital under the Alba plc 1996 Executive Share Option Scheme and the Alba plc 1996 Savings-Related Share Option Scheme at 31 March 2006 were as follows:

Notes to the Accounts

No of shares	Option price	Exercisable between	No of shares	Option price	Exercisable between
10,169	215p	19/12/1999 - 18/12/2006	36,911	264p	1/9/2006 - 28/2/2007
46,749	772.5p	20/7/2003 - 19/7/2010	103,812	248p	1/9/2006 - 28/2/2007
12,251	772.5p	20/7/2003 - 19/7/2007	35,914	248p	1/9/2008 - 28/2/2009
48,240	305p	25/6/2004 - 24/6/2011	540	350p	1/2/2006 - 31/7/2006
37,323	305p	25/6/2004 - 24/6/2008	42,631	350p	1/2/2008 - 31/7/2008
149,790	437.5p	16/12/2005 - 15/12/2012	45,530	350p	1/2/2010 - 31/7/2010
132,710	437.5p	16/12/2005 - 15/12/2009	15,570	636p	1/9/2007 - 29/2/2008
142,469	752.5p	14/7/2007 - 13/7/2014	12,076	636p	1/9/2009 - 28/2/2010
182,531	752.5p	14/7/2007 - 13/7/2011	4,370	636p	1/9/2011 - 29/2/2012
77,193	373p	1/7/2008 - 30/6/2015	95,776	313.2p	1/9/2008 - 28/2/2009
387,807	373p	1/7/2008 - 30/6/2012	77,019	313.2p	1/9/2010 - 28/2/2011
			17,072	313.2p	1/9/2012 - 28/2/2013

The number and weighted average exercise prices of share options granted under the Company's Executive and Savings-Related Share Option Schemes are as follows:-

	2006 Number of share options	2006 Weighted average exercise price £	2005 Number of share options	2005 Weighted average exercise price £	2004 Number of share options	2004 Weighted average exercise price £
Outstanding at the beginning of the year	1,361,723	4.85	1,386,720	3.39	1,883,939	3.11
Granted during the year	700,916	3.55	448,654	7.26	-	-
Exercised during the year	(158,225)	2.79	(442,676)	2.67	(442,267)	2.04
Lapsed during the year	(189,961)	4.99	(30,975)	5.61	(54,952)	4.50
Outstanding at the end of the year	1,714,453	4.50	1,361,723	4.85	1,386,720	3.39
Options exercisable at the end of the year	155,272	4.77	277,732	3.85	226,552	4.07

The weighted average share price at the date of exercise for share options exercised during the year was £4.25 (2005: £7.58; 2004: £5.98)

The options outstanding at the end of the year have weighted average remaining contractual lives and exercise prices as follows:-

Range of exercise prices £	2006 Number of share options	2006 Weighted average contractual life Years	2005 Number of share options	2005 Weighted average contractual life Years	2004 Number of share options	2004 Weighted average contractual life Years
0 to 5	1,298,437	5.05	857,846	3.95	1,316,720	4.39
5 to 10	416,016	5.93	503,877	6.57	70,000	5.69

Notes to the Accounts

The Group recognised the following charges in the income statement in respect of its share-based payment plans:

	for the year ended 31 March 2006 £'millions	for the year ended 31 March 2005 £'millions
Charge to income statement (all equity settled)	0.5	0.7

The weighted average estimated fair value for the options granted was calculated using a Black-Scholes option pricing model. The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of the share price over a ten year period. Similarly, the forfeiture rate is an estimate of the percentage of options that do not vest and is based on an analysis of the Group's past experience. The estimated fair values and the inputs into the model are as follows:

Executive options

	16/12/2002	16/12/2002	14/07/2004	14/07/2004	01/07/2005	01/07/2005
Fair value (p)	157.6	178.8	27.1	307.1	139.3	158.7
Share price rate at date of grant	435	435	747.5	747.5	377.5	377.5
Exercise price	437.5	437.5	752.5	752.5	373	373
Expected volatility	36%	36%	36%	36%	36%	36%
Expected life	4.25	5.4	4.25	5.4	4.25	5.4
Risk free rate	4.85%	4.85%	4.85%	4.85%	4.85%	4.85%
Forfeiture rate	14%	14%	14%	14%	14%	14%

SAYE

	01/02/2003	01/02/2003	01/02/2003	01/09/2004	01/09/2004	01/09/2004	01/09/2005	01/09/2005	01/09/2005
Fair value (p)	171.1	207	235	295.1	359.9	410.4	158.4	190.8	215.1
Share price rate at date of grant	429	429	429	760	760	760	390.5	390.5	390.5
Exercise price	350	350	350	636	636	636	313.2	313.2	313.2
Expected volatility	36%	36%	36%	36%	36%	36%	36%	36%	36%
Risk free rate	4.85%	4.85%	4.85%	4.85%	4.85%	4.85%	4.85%	4.85%	4.85%
Forfeiture rate	14%	14%	14%	14%	14%	14%	14%	14%	14%

An "adjusted market value" method of valuation, based on market value at grant date, adjusted for expected forfeitures and market-based performance conditions has been used to calculate the fair value of LTIP awards.

LTIP's

	01/07/2003	01/07/2004	01/07/2005
Number of shares under option	99,243	67,552	207,828
Fair value (p)	4.34	6.87	3.26
Share price rate at date of grant	502.5	795	377.5
Exercise price	0	0	0
Expected volatility	36%	36%	36%
Expected life	3	3	3
Risk free rate	4.85%	4.85%	4.85%
Forfeiture rate	0%	0%	0%

Note: dividend yields were not incorporated into the calculation.

Notes to the Accounts

21 Reserves	Share premium account £'millions	Capital reserve £'millions	Investment in own shares £'millions	Translation reserve £'millions	Hedging reserve £'millions	Other reserves £'millions	Retained earnings £'millions
Group:							
At 1 April 2005	18.2	–	(1.0)	(1.9)	–	1.1	85.5
Net exchange differences on translation of foreign operations	–	–	–	3.2	–	–	–
Hedging of net investments in foreign operations	–	–	–	–	(4.8)	–	–
Purchase of treasury shares	–	–	(1.6)	–	–	–	–
Retained profit for the year	–	–	–	–	–	–	1.2
Premium on options exercised	0.4	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	(5.6)
Equity settled transactions	–	–	–	–	–	0.5	–
Taxation on items taken directly to reserves	–	–	–	0.4	1.5	–	–
At 31 March 2006	18.6	–	(2.6)	1.7	(3.3)	1.6	81.1
Company:							
At 1 April 2005	18.2	2.7	(1.0)	–	–	1.1	26.4
Purchase of treasury shares	–	–	(1.6)	–	–	–	–
Retained profit for the year	–	–	–	–	–	–	(0.8)
Premium on options exercised	0.4	–	–	–	–	–	–
Dividends paid	–	–	–	–	–	–	(5.6)
Equity settled transactions	–	–	–	–	–	0.5	–
At 31 March 2006	18.6	2.7	(2.6)	–	–	1.6	20.0

As permitted by section 230 of the Companies Act 1985, the income statement of the Company is not presented as part of the accounts. Loss on ordinary activities after taxation for the year of £0.8m (2005 : £6.0m profit) has been dealt with in the accounts of the Company. There are no items of income or expense other than those reported in the income statement and therefore a Statement of Recognised Income and Expense has not been produced for the Company.

Nature and Purpose of Other Reserves

Share premium account

This reserve records the consideration premium for shares issued at a value that exceeds their nominal value.

Capital reserve

This reserve relates to non-distributable reserves within the Company.

Hedging reserve

This reserve records, for each hedged item in an effective cash flow hedge, the cumulative change in fair value of the expected future cash flow on the hedged item from the inception of the hedge relationship. It is also used to record the gain or loss on an effective hedge of a net investment in a foreign operation or a monetary item that is accounted for as part of that net investment.

Translation reserve

The translation reserve is used to record exchange differences arising from translation of the financial statements of foreign subsidiaries. It is also used to record the net exchange differences on monetary items that form part of the net investment in foreign operations.

Notes to the Accounts

Other reserves

This reflects the accumulated non-vested share based payment costs charged through the income statement.

Investment in Own Shares

The own shares are listed on the London Stock Exchange. The market value of these investments at 31 March 2006 was £1.6m (2005 : £1.3m).

439,026 shares are held by the Alba plc ESOP Trust which has waived its right to receive dividends. Of these, 374,623 shares have been conditionally awarded. Administrative costs of the Trust are charged to the income statement as incurred.

The Long-Term Incentive Plan ("Incentive Plan") enables the Trustees of the Alba plc ESOP Trust ("the Trust"), in consultation with the Remuneration Committee, to grant conditional awards over existing shares held by the Trust to selected executives (including Directors) which are subject

to the achievement of performance targets over a defined performance period. The Incentive Plan takes the place of the Company's other performance awards to the extent that executives who receive awards under the Incentive Plan do not participate further in the Company's Executive Share Option Scheme until their award entitlements under the Incentive Plan have become absolute. In addition to the awards to Directors as detailed on page 24 other executives were awarded a total of 18,212 shares on 1 July 2003, 12,654 shares on 1 July 2004 and 45,454 shares on 1 July 2005.

During the year ended the 31 March 2006, in addition to the awards to Directors that lapsed as detailed on page 24, awards to other executives over 22,146 shares also lapsed. These shares were retained by the Alba plc ESOP Trust.

22 Reconciliation of Movements in Consolidated Equity	Group year ended 31 March 2006 £'millions	Group year ended 31 March 2005 £'millions	Company year ended 31 March 2006 £'millions	Company year ended 31 March 2005 £'millions
Total recognised income for the period	1.5	14.5	(0.8)	6.0
Dividends on equity shares	(5.6)	(5.6)	(5.6)	(5.6)
New share capital subscribed	0.4	1.2	0.4	1.2
Purchase of own shares	(1.6)	(0.5)	(1.6)	(0.5)
Share based payments	0.5	0.7	0.5	0.7
Net increase in equity	(4.8)	10.3	(7.1)	1.8
Opening equity	107.0	96.7	52.5	50.7
Closing equity	102.2	107.0	45.4	52.5

Notes to the Accounts

23 Note to the consolidated cash flow statement

	Group year ended 31 March 2006 £'millions	Group year ended 31 March 2005 £'millions
Cash flow from operating activities:		
Operating profit	5.1	24.1
Adjustment for:		
Depreciation of property, plant & equipment	1.5	1.2
Share of results of joint venture	0.5	(2.8)
IFRS 2 share option charge	0.5	0.7
Decrease/(increase) in receivables	16.8	(16.6)
Decrease/(increase) in inventories	22.5	(14.8)
Decrease in payables	(11.9)	(3.5)
Cash flow from operating activities	35.0	(11.7)
Net Debt		
Cash and cash equivalents	(8.3)	(31.0)
Bank loans	(24.7)	(28.7)
Bank import advances	(38.3)	(33.9)
	(71.3)	(93.6)

Cash and cash equivalents comprise cash at bank and bank overdrafts all with a maturity of three months or less.

24 Analysis of net borrowings and reconciliation of cash flow to movement in net borrowings

Cash	2.7	5.9
Bank Overdrafts	(11.0)	(36.9)
Cash and cash equivalents	(8.3)	(31.0)
Bank loans due within one year	(10.0)	(4.3)
Bank loans due after one year	(14.7)	(24.4)
Bank import advances due within one year	(38.3)	(33.9)
Net borrowings at end of period	(71.3)	(93.6)
Reconciliation of net cash flow to movement in net borrowings		
Increase/(decrease) in cash and cash equivalents	22.4	(25.3)
Cash outflow from movement in net borrowings	(0.4)	(30.1)
Translation difference	0.3	0.3
Decrease/(increase) in net borrowings	22.3	(55.1)
Net borrowings at beginning of the period	(93.6)	(38.5)
Net borrowings at end of the period	(71.3)	(93.6)

Notes to the Accounts

25 Guarantees and other financial commitments

- (a) Capital commitments contracted for but not provided in the accounts amounted to £nil for the Group and £nil for the Company (2005 : £nil and £nil respectively). Amounts authorised by the Directors but not contracted for were £nil for the Group and £nil for the Company (2005 : £nil and £nil respectively).
- (b) The Group has entered into non-cancellable leases in respect of plant and machinery, the payments for which extend over a period of up to four years. The total annual rental (including interest) for the year ended 31 March 2006 was £459,000 (2005 : £413,000) of which £nil (2005 : £nil) was applicable to the Company. The lease agreements provide that the Group will pay all insurance. The total annual rental (including interest) for the year ending 31 March 2006 is £376,000 of which £66,000 relates to leases terminable in the year.
- (c) The Group has discounted trade bills with recourse, amounting to £0.9m at 31 March 2006 (2005 : £0.6m).
- (d) The Company has guaranteed the borrowings of its subsidiary companies.
- (e) Information on the Group's financial instruments is given in Note 16 on pages 51 to 54.

26 Explanation of transition to IFRS

The reconciliation of equity and profit below, together with the explanations of the changes, are provided to facilitate the understanding of changes arising from the adoption of IFRS.

Differences between IFRS and UK GAAP:

(i) Dividends

Dividends proposed are disclosed as a Non-adjusting Event after the Balance Sheet Date under IAS 10. Under IFRS dividends are not recognised as liabilities until they are appropriately approved and are no longer at the discretion of the Directors. Accordingly the 2004/5 proposed dividend under UK GAAP is removed from the year ended 31 March 2005 IFRS accounts.

(ii) Employee Option and Performance Share Schemes – IFRS 2, Share-based Payments.

All transactions within the scope of IFRS 2 are valued based on the fair value of the option or award at grant date and expensed to the income statement over the vesting period of the scheme. This applied to options granted after 7 November 2002 which had not vested at 1 January 2005.

(iii) Goodwill – IFRS 3, Business combinations

Under IFRS 3, goodwill is not amortised. Instead it is subject to an annual impairment review. An adjustment has been made to remove the goodwill amortisation charge under UK GAAP.

(iv) Translation reserve – IAS 21, Effects of changes in foreign exchange rates

Under IAS 21, the results of overseas subsidiaries should be translated at the exchange rate at the date of transaction rather than using the rate at the balance sheet date. Furthermore, forex differences on translation of opening net assets need to be included in a separate reserve rather than being included in retained profits.

Notes to the Accounts

Reconciliation of Group equity at 1 April 2004 (date of transition to IFRS)

	UK GAAP £'millions	prior year adj (see note 18) £'millions	UK GAAP re-stated £'millions	IAS 10 dividends £'millions	IFRS 2 share based payments £'millions	IFRS £'millions
Non-current assets						
Goodwill	1.2	–	1.2	–	–	1.2
Property, plant & equipment	19.2	–	19.2	–	–	19.2
Total non-current assets	20.4	–	20.4	–	–	20.4
Current assets						
Inventories	100.8	–	100.8	–	–	100.8
Trade receivables and other receivables	86.5	–	86.5	–	–	86.5
Cash	3.9	–	3.9	–	–	3.9
Total current assets	191.2	–	191.2	–	–	191.2
Total assets	211.6	–	211.6	–	–	211.6
Current liabilities						
Bank borrowings and overdrafts	42.4	–	42.4	–	–	42.4
Trade and other payables	64.3	(1.8)	62.5	(5.6)	–	56.9
Tax liabilities	8.7	(1.5)	7.2	–	–	7.2
Provisions	–	6.8	6.8	–	–	6.8
Total current liabilities	115.4	3.5	118.9	(5.6)	–	113.3
Non-current liabilities						
Deferred tax	1.6	–	1.6	–	–	1.6
Total non-current liabilities	1.6	–	1.6	–	–	1.6
Total liabilities	117.0	3.5	120.5	(5.6)	–	114.9
Total net assets	94.6	(3.5)	91.1	5.6	–	96.7
Equity attributable to equity holders of the parent						
Share capital	5.1	–	5.1	–	–	5.1
Share premium	17.0	–	17.0	–	–	17.0
Investment in own shares	(0.4)	–	(0.4)	–	(0.1)	(0.5)
Other reserves	–	–	–	–	0.4	0.4
Retained earnings	72.9	(3.5)	69.4	5.6	(0.3)	74.7
Total equity	94.6	(3.5)	91.1	5.6	–	96.7

Notes to the Accounts

Reconciliation of Group profit for the year ended 31 March 2005

	UK GAAP £'millions	IFRS 3 goodwill £'millions	IFRS 2 share based payments £'millions	IAS 21 forex movements £'millions	IFRS £'millions
Revenue					
Group and share of joint venture	763.5	–	–	–	763.5
Less share of joint venture	(98.9)	–	–	–	(98.9)
Group revenue	664.6	–	–	–	664.6
Cost of sales	(587.4)	–	–	–	(587.4)
Gross profit	77.2	–	–	–	77.2
Net operating expenses	(56.3)	0.5	(0.3)	0.2	(55.9)
Operating Profit	20.9	0.5	(0.3)	0.2	21.3
Share of results of joint venture	2.4	0.4	–	–	2.8
Total Operating Profit	23.3	0.9	(0.3)	0.2	24.1
Finance costs	(2.5)	–	–	–	(2.5)
Profit before tax	20.8	0.9	(0.3)	0.2	21.6
Tax	(5.2)	–	–	–	(5.2)
Profit for the period	15.6	0.9	(0.3)	0.2	16.4
Attributable to:					
Equity holders of the parent	15.6	0.9	(0.3)	0.2	16.4
Earnings per share (in pence)					
Basic	30.8p	–	–	–	32.4p
Diluted	30.4p	–	–	–	31.9p

Notes to the Accounts

Reconciliation of Group equity at 31 March 2005

	UK GAAP £'millions	prior year adj (see note 18) £'millions	UK GAAP restated £'millions	IFRS 3 goodwill £'millions	IAS 21 IAS 10 dividends £'millions	IFRS 2 forex movements £'millions	share based payments £'millions	IFRS £'millions
Non-current assets								
Goodwill	0.7	–	0.7	0.5	–	–	–	1.2
Property, plant & equipment	18.8	–	18.8	–	–	–	–	18.8
Investment in joint venture	30.9	–	30.9	0.4	–	–	–	31.3
Total non-current assets	50.4	–	50.4	0.9	–	–	–	51.3
Current assets								
Inventories	114.7	–	114.7	–	–	–	–	114.7
Trade receivables and other receivables	101.8	–	101.8	–	–	–	–	101.8
Cash	5.9	–	5.9	–	–	–	–	5.9
Total current assets	222.4	–	222.4	–	–	–	–	222.4
Total assets	272.8	–	272.8	0.9	–	–	–	273.7
Current liabilities								
Bank borrowings and overdrafts	75.1	–	75.1	–	–	–	–	75.1
Trade and other payables	61.9	(1.2)	60.7	–	(5.6)	–	–	55.1
Tax liabilities	5.5	(1.5)	4.0	–	–	–	–	4.0
Provisions	–	6.2	6.2	–	–	–	–	6.2
Total current liabilities	142.5	3.5	146.0	–	(5.6)	–	–	140.4
Non-current liabilities								
Bank borrowings and overdrafts	24.4	–	24.4	–	–	–	–	24.4
Deferred tax	1.9	–	1.9	–	–	–	–	1.9
Total non-current liabilities	26.3	–	26.3	–	–	–	–	26.3
Total liabilities	168.8	3.5	172.3	–	(5.6)	–	–	166.7
Total net assets	104.0	(3.5)	100.5	0.9	5.6	–	–	107.0
Equity attributable to equity holders of the parent								
Share capital	5.1	–	5.1	–	–	–	–	5.1
Share premium	18.2	–	18.2	–	–	–	–	18.2
Investment in own shares	(0.5)	–	(0.5)	–	–	–	(0.5)	(1.0)
Translation reserve	–	–	–	–	–	(1.9)	–	(1.9)
Other reserves	–	–	–	–	–	–	1.1	1.1
Retained earnings	81.2	(3.5)	77.7	0.9	5.6	1.9	(0.6)	85.5
Total equity	104.0	(3.5)	100.5	0.9	5.6	–	–	107.0

Notes to the Accounts

Reconciliation of Company equity at 1 April 2004 (date of transition to IFRS)

	UK GAAP £'millions	IAS 10 dividends £'millions	IFRS 2 share based payments £'millions	IFRS £'millions
Non-current assets				
Investments	25.0	–	–	25.0
Total non-current assets	25.0	–	–	25.0
Current assets				
Trade receivables and other receivables	34.5	–	–	34.5
Total current assets	34.5	–	–	34.5
Total assets	59.5	–	–	59.5
Current liabilities				
Trade and other payables	14.4	(5.6)	–	8.8
Total current liabilities	14.4	(5.6)	–	8.8
Total liabilities	14.4	(5.6)	–	8.8
Total net assets	45.1	5.6	–	50.7
Equity attributable to equity holders of the parent				
Share capital	5.1	–	–	5.1
Share premium	17.0	–	–	17.0
Capital reserves	2.7	–	–	2.7
Investment in own shares	(0.4)	–	(0.1)	(0.5)
Other reserves	–	–	0.4	0.4
Retained earnings	20.7	5.6	(0.3)	26.0
Total equity	45.1	5.6	–	50.7

Notes to the Accounts

Reconciliation of Company profit for the year ended 31 March 2005

	£'millions
UK GAAP profit on ordinary activities after taxation	6.3
IFRS 2 share based payments	(0.3)
IFRS profit on ordinary activities after taxation	6.0

Reconciliation of Company equity at 31 March 2005

	UK GAAP £'millions	IAS 10 dividends £'millions	IFRS 2 share based payments £'millions	IFRS £'millions
Non-current assets				
Investments	25.0	–	–	25.0
Total non-current assets	25.0	–	–	25.0
Current assets				
Trade receivables and other receivables	34.5	–	–	34.5
Total current assets	34.5	–	–	34.5
Total assets	59.5	–	–	59.5
Current liabilities				
Trade and other payables	12.6	(5.6)	–	7.0
Total current liabilities	12.6	(5.6)	–	7.0
Total liabilities	12.6	(5.6)	–	7.0
Total net assets	46.9	5.6	–	52.5
Equity attributable to equity holders of the parent				
Share capital	5.1	–	–	5.1
Share premium	18.2	–	–	18.2
Capital reserves	2.7	–	–	2.7
Investment in own shares	(0.5)	–	(0.5)	(1.0)
Other reserves	–	–	1.1	1.1
Retained earnings	21.4	5.6	(0.6)	26.4
Total equity	46.9	5.6	–	52.5

Independent Auditors' Report

We have audited the Group and Parent Company financial statements (the "financial statements") of Alba plc for the year ended 31st March 2006 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and those International Financial Reporting Standards (IFRSs) as adopted for use in the European Union are set out in the Statement of Directors' Responsibilities. Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation. 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 other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Directors' Remuneration Report, the Chairman's Statement, the Business Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and 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 and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. Informing our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Directors' Remuneration Report to be audited.

Independent Auditors' Report

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union, of the state of the Group's affairs as at 31st March 2006 and of its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted for use in the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31st March 2006;
- the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

UHY Hacker Young

St Alphage House
2 Fore Street
London
EC2Y 5DH
9 August 2006

