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 Andrew David Rose ACA (Group Finance Director)
 Paul John Cannon (Executive Director)
 Antonio Coda (Executive Director)
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Five year record

| | 31 March 2007 | 31 March 2006 | 31 March 2005 | 31 March 2004 | 31 March 2003 |
|--|--------------------------|------------------|------------------|------------------|------------------|
| Turnover – Group and share of joint venture (£' millions) | 565.8 | 714.2 | 763.5 | 617.7 | 528.0 |
| – Less: share of joint venture (£' millions) | (112.2) | (135.6) | (98.9) | – | – |
| – Group (£' millions) | 453.6 | 578.6 | 664.6 | 617.7 | 528.0 |
| (Loss)/Profit before tax – Continuing operations (£' millions) | (54.6) | (11.4) | 21.6 | 31.1 | 26.5 |
| – Discontinued operations (£' millions) | 10.6 | 13.4 | – | – | 2.9 |
| – Total (£' millions) | (44.0) | 2.4 | 21.6 | 31.1 | 29.4 |
| EPS (p) | (74.7) | 2.4 | 32.4 | 47.8 | 47.0 |

Note:

- Results for the years ended 31 March 2003 and 2004 have not been restated to reflect the transition to IFRS.
- Results of the Leisure Division are treated as discontinued operations in 2006 and 2007 only.

Business Review

The past year has been a pivotal one in the history of Alba plc. From a position of substantial losses the Group is being transformed through extensive restructuring, product refinement and brand re-positioning so that our visibility of the business has improved and the future prospects are once again promising.

The Board and senior management have undertaken an extensive review process, the outcome of which is a three year plan reaching out to March 2010 when the Group, post a disposal of the Leisure Division and on an ongoing basis, is targeting a much reduced sales volume and sustainable margins of approximately 6-7%. In addition, the Group retains significant tax losses to carry forward and offset against future profits.

As indicated in our announcement of 24th May 2007, for the year to 31 March 2007 the Group (including the Grundig joint venture) incurred losses before tax of £44.0m (2006: Profit of £2.0m) on sales of £565.8m (2006: £714.2m). This was arrived at through a loss on ordinary trading activities of approximately £19m and non-recurring charges of approximately £25m, in relation to the various costs encountered by the Group in the course of the business restructuring programme.

Alba's 50% share of the Grundig joint venture incurred a loss of £16.0m (2006: loss of £2.8m) on Alba's share of revenue of £112.2m (2006: £135.6m). Of Alba's £25m of non-recurring charges, £9m related to Alba's share of the Grundig joint venture.

After many years of revenue growth, brand and range expansion, the Company had developed mass but lost focus in its strategic direction. Whilst we had grown in scale, we had failed to maintain market positions which could profitably be sustained. Developments in the global consumer electronics market meant that our positioning was increasingly being squeezed as a result of aggressive price cutting by large global brands whilst our cost base, both in terms of materials and operational overheads, remained relatively fixed. These issues have been radically addressed during the course of the last financial year and the culture of the business has now changed to be driven by continuous improvement in profit and cash

The strength and spread of our leisure brands including Breville, Hinari and JCB has enabled the Leisure Division to have better control over its product offering, market positioning and margins.

It had become clear to the Board and senior management team that the two divisions' business models were no longer compatible. The Consumer Electronics (CE) division required a major reorganisation and a fresh strategy if it was to once more become a consistent value creator for shareholders. In view of this a decision was taken to either sell or de-merge the Leisure division and focus attention on the need to restructure and revitalise CE. As announced on 22 August 2007, the disposal of the Leisure division has now been completed.

The Leisure division reported sales of £129.2m (2006 : £146.9m) and an operating profit of £10.6m (2006 : £13.4m). The year saw the successful introduction of a number of new products and an expansion of the customer portfolio. In the second half of the year the divisional management's strategic focus was also directed towards securing a successful outcome to the proposed separation of the business from Alba plc.

Dividend

In view of the performance of the Group over the past year, and the modest outcome expected for 2007/8, the Board believes it prudent not to distribute an ordinary final dividend at this time. This position will be kept under review, particularly with regard to the expected improved trading performance over the coming year.

Consumer Electronics

Alba's core business proposition has been identified as being:

- Delivering value to our customers by providing Brand Equity
 - Enabling retailers to command a premium
- Desirable, differentiated products
 - Attracting consumers with a fast-follower product portfolio
- Category management, sourcing expertise
 - Ensuring continuity of high-quality, cost competitive supply

The Group has chosen to reduce the number of products offered and to provide greater brand exclusivity to selected retailers. Stock reduction, net debt reduction and cash have become the priorities. For this to be achieved the business has been extensively restructured as set out below:

- The former Alba plc headquarters in Barking, Essex have been closed and the commercial operations have been consolidated on one site at Elstree, Herts
- The six divisions managing separate brands have been consolidated into one CE trading team. The most senior managers of the brands have been replaced by one CE Managing Director thus changing a culture of inter-brand competition to one of transparency and knowledge sharing
- New senior managers have been recruited and processes are being materially overhauled
- Outsourcing of a number of activities which has reduced working capital and capital employed. By the end of 2009 the Group expects all UK operations to be in a single office building
- Re-organised the UK Consumer Electronics Division based on controlled channel distribution of step-up brands and improved supply-chain and quality management
- CE staff numbers in the UK have been reduced by 40% from 469 to 283; the commercial team has been reduced from 71 to 34
- Materially reduced stock and net debt levels. Re-negotiated payment terms including moving from letters of credit to open credit
- Reducing reliance on volatile and low margin large screen LCD and refocusing on audio, digital boxes and new product areas, especially through Grundig UK
- Building on the current turnaround of Grundig Multimedia JV whilst evaluating options for break-up or sale
- Exiting unprofitable product areas e.g. CRT and licensing unprofitable brands e.g. Roadstar and Alba where appropriate

Historically Alba plc had encouraged the individual brands to operate on a stand-alone basis. This resulted in competition for customers, suppliers and considerable duplication of management and operational activity. There was also considerable variation in performance. In recent years Bush, led by Mike Ashley, has through sound management processes and systems been maintaining reasonable gross margins, whilst both Alba and Goodmans have been loss making.

In addition the Group has been able to identify significant financial benefits which will accrue during the 2007/8 financial year and thereafter resulting in significantly higher gross profit in UK Consumer Electronics:

- Initial restructuring, with targeted annualised cost savings of approximately £19m. Further measures, with a cumulative recurring effect of over £10m, will take place by 2009/10
- Group stock has been reduced from £92.4m in March 2006 to £54.2m (including £11.0m in the Leisure Division) in March 2007
- Net debt had been reduced by £18.9m from £71.3m to £52.4m by the end of March 2007
- Multi-year tenders won with large retailers for LCD and audio business, establishing a stable revenue and margin base
- Implementing a major change in trading terms to improve cash flow and banking terms
- Roadstar & Alba Radio brands to be licensed, sold or closed
- Continuing to build up a new, higher margin, business in Medical Electrical Devices
- Significant UK tax losses to carry forward, estimated to be approximately £23m
- Sale of surplus property to raise up to £20m by 2010

In order for the Group to be successful in realising the benefits of the restructuring the Company recognises the need to focus on only offering products where there is clear added value both to Alba plc and its customers. As the mass retailer market matures there is a clear need to

shift the emphasis away from Entry Price Point (EPP) products and on to step-up models, which offer better design, higher margins and simple user interfaces.

EPP has provided mass retailers with sales growth, but now that the category has become an established part of their retail offer there is a need to improve profit margins by building range in step-up product lines. By leveraging the Company's operational and product knowledge, Alba is able to work closely with hypermarkets and catalogue retailers as they continue to grow volumes and evolve into higher margin categories.

Central to the marketing strategy is an understanding of the different maturities of individual retailers in CE. Some are highly advanced and have optimised retail space and are now looking to improve the product mix to raise profits. For them Grundig is the ideal step-up brand for audio-visual products. Others, however, are only part way into their CE development plans and are still oriented towards EPP but are starting to realise the value of step-up brands. For them Alba and Bush are appropriate brands. Then there are other non-traditional CE retailers which are just starting to stock products. For them EPP products, together with sourcing and CE category management services are of value. In all cases Alba plc is selecting its strengths and matching them to the needs of its customers in order to provide maximum value for all parties.

Alba and retailers can benefit from working more closely together and the Company has entered into a number of dedicated semi-exclusive partnerships between the Group's brands, product offers and specific retailers. This will widen the customer base and reduce reliance on low-price volume contracts. The Group also has the opportunity through building up Grundig as a higher margin brand with new customers and products to extend the Group's reach throughout the UK CE market and the potential to leverage off the brand's reputation in Europe.

In order to successfully deliver the refined business model, great attention has been paid to upgrading our current systems and adopting better working methods. The overall goal of the Company is to reduce complexity primarily through reducing the number of products sold and suppliers used.

Product management for each product group now rests with dedicated teams rather than being dispersed across brands and locations. Numbers of staff, suppliers and individual product lines (SKU's) have all been reduced and our goal is to make further reductions in these areas.

Grundig MultiMedia BV joint venture

Grundig MultiMedia BV is a 50/50 joint venture set up in May 2004 between Alba and Beko which sells Grundig branded goods worldwide, except in the UK and Turkey. The business operates through 15 National Sales Offices (NSOs) principally in four European regions, Central, South-West, Nordic & Baltics and Central-East selling the following products:

Vision 75% TV's, set top boxes

Audio 25% CD players, MP3s, personal car

Goods are purchased from Beko 75% and Alba's Hong Kong office 10%, with the balance from third parties. Since an initial cash injection of c.£30m by each of the JV owners it has been funded through its own facilities and it is not expected to need further funding from the UK.

In the year to 31 March 2007, the Grundig MultiMedia JV reported revenue of £240m (2006 : £297m) and incurred a net loss of £32m (Alba's share was £16m) (2006 : Alba's share was loss of £3m). Sales were 34% down on budget in FY07 due to a combination of poor quality products, lack of supply, external pressures and re-organisation which has had a negative impact on the image of the brand. Warranty costs doubled from £9m in FY06 to £18m in FY07 and the increased costs eroded the gross margin by 4.4%.

As a result, Accenture was appointed in April 2006 to implement a restructuring programme which has led to a reduction in the product range and c.100 fall in head count. Despite the £32m loss in the year, net borrowings have only increased by £1m which was achieved by reducing working capital, notably halving the stock holding to £25m.

A new management team has now been appointed and the budget for 2007/8 plans for a 6.5% increase in sales.

Margins are forecast to improve on the back of improved quality and avoiding the stock clearances experienced in FY07. A forecast fall in warranty costs to £8m will save £10m when compared with 2006/7.

Strategically the Board of Alba plc is currently considering three options with respect to realising value from the Grundig JV:

- Grundig JV achieves turnaround in its current business model
- Alba plc sells its share of Grundig JV to the other shareholder or to a third party
- Break-up of Grundig JV, closure of HQ and NSOs and licensing the brand to both shareholders on a country-by-country basis

The situation remains under review.

Far East Operations

Consumer Electronics

A strategic review of the Far East operations concluded that it continued to be a key strategic asset for the Group and is still a precondition for competing in the CE market. Large retail groups are increasingly moving functions like product management and R&D out of Europe and into mainland China.

Significant restructuring has already taken place both in preparation for a leisure division disposal as well as reduction in the capacity of the CE business. The number of employees has been reduced by 30% versus March 2006 from 159 to 108. Further savings will accrue from Leisure Division's disposal. The largest share of cuts has been made in the Hong Kong office where salaries are up to three times higher than mainland China. As many staff as possible will move to mainland China with 20 finance and commercial staff remaining in Hong Kong and a new Commercial Director is being sought with the aim of improving management of the CE area and starting new activities.

The business model is to provide a range of services to Alba's UK CE operations including product management, R&D, financing, shipping and general Far East representation. Revenues fell in 2006 following the decline

of the UK CE business, but margins have increased from 5% to 7% in the last four years, driven by the growth of the medical electrical business.

Medical Electrical Devices

Alba plc has been successfully sourcing and supplying medical instruments for home use since 2004. The worldwide market for home-use medical electrical devices is estimated to be US\$800m and is forecast to grow at 7.5% per annum to a value of US\$ 1bn by 2010.

The largest market for these products is the US, followed by Europe and Japan, where growth is driven by consumers over the age of 40 who require diagnostic and therapeutic devices in their homes. Competition is relatively low due to a small number of competent suppliers, heavy regulation and an industry environment that competes on feature improvement. The industry relies upon directions to buy from doctors rather the fight on the shelf to attract consumers.

In order to maximise the worldwide potential of this business unit Alba has created a new competence. Harvard Medical Devices has been created to act as the named, certified company on packaging (authorisation pending) and a new medical business in Hong Kong, Kinetik Medical, intends to develop the US market as well as markets where home use medical electrical devices are under-developed. By partnering with large scale retailers, we believe that volumes can be increased relatively quickly with a sales target of £20m in 2010.

Special Business

Details of the Special Business which is to be proposed at the 2007 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.

Current Trading and Outlook

Trading in the current financial year is in line with the Board's expectations and the new business plan. The benefits to be accrued from the restructuring and re-positioning programme are expected to become apparent in the second half of the current financial year.

The Board believes that Alba plc has fundamentally changed the way it manages its business. Brands & product ranges are focused, customer partnerships have been strengthened and operational efficiency is now market leading.

Having refocused the brands and removed a significant amount of the fixed cost base, the Board expects the Company to experience a strong recovery in margins in the current financial year. Whilst revenues are expected to fall, the business model is expected to remain cash generative.

Over the course of the next three years the Board believes that value will be created and realised for shareholders through organic growth, recovery in margins and the proceeds received from the sale of non-core assets.

JOHN HARRIS, CBE

Chairman

31 August 2007

2007 Business Review

Alba plc is a leading distributor in the UK and Europe of consumer electrical goods. 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.

The year under review has been very demanding and has seen many changes on the high street and elsewhere, especially for consumer electronics as the development and demand for new digital products have gathered pace.

Responding to these major market movements, and trends in consumer preferences, Alba has undertaken a complete reorganisation of all aspects of the Group, and subsequent to year end has divested itself of its Leisure interests. In addition to business efficiencies and cost economies, the key objectives of this reorganisation have been full CE sector viability with a sharper focus on the opportunities that exist for better performing new products. These objectives have demanded a fundamental shift in the rigour, agility and speed of the Group that throughout has been quick to embrace the many changes made. At the same time, changes within the Group's support services have ensured that this management unit is suitably structured, equipped and well matched to service the needs of the commercial operations.

This Group-wide reorganisation has seen the relocation of Alba's Registered Head Office to Elstree and the centralisation of many essential functions previously separately operated at brand level. In common with industry trends, some overseas outsourcing has also been introduced where this was shown to offer advantages in comparison with UK based activities. This simplified structure has brought numerous benefits including economies of scale arising from the centralisation of the product selection and buying processes. Technical product support and administration have also been simplified whilst sales liaison with retail customers has been streamlined to feature retail sector specialists now selling across all Group brands in their division. Some licensed brands have been discontinued, where licensees themselves have changed their business, and product ranges rationalised where the projected future business potential has not met the stricter assessment criteria for success that is now in place.

A substantial headcount reduction has inevitably resulted from this severe restructuring programme, which in the main has been completed ahead of the target date.

The joint venture acquisition of Grundig has enhanced the Group's existing position in its marketplace and presents real potential. The restructuring programme, whilst slower than planned, is well underway and significant cost reductions have already been achieved. At the same time product quality issues have been addressed. The outlook is positive, especially as Alba is working well and in close collaboration with the more professional joint venture partners now in place.

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 itself as a key supplier 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 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 of individual brands, with product development, sales and marketing centralised and controlled.
- The centralisation of all other business and support activities. 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 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, combined with the timely offering of these products to meet customers' forward planning schedules for future selling seasons.
- 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 most major retailers as customers.

We have leading market shares in such important areas as Digital TV, DVD Players/Recorders, Audio Systems, MP3 and Portable Digital Players and In-Car Entertainment.

Group History

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

| | |
|------|--|
| 1964 | The commencement of operations in consumer electronics and other product areas sourced 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 Ltd 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 Shanghai office. Northern Distribution Centre opened in Newcastle. |
| 1997 | Roadstar Group acquired. |
| 1998 | Opening of Rugby Distribution Centre. |
| 1999 | Rights to JCB brand acquired for Power Products DIY tools business. |
| 2000 | Launch of Bush Internet TV. (Sold 2003) |
| 2001 | Purchase of Pulse Home Products Ltd incorporating Breville, Nicky Clarke Electrical Appliances, Dreamland Electric Blankets and Viva. |
| 2002 | Shanghai offices relocated 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. |
| 2007 | Relocation of Group Registered Head Office to Elstree where the Consumer Electronics Division is based. Disposal of Leisure Division |

Goodmans – design focus, higher specified products with a brand heritage, **Grundig** – design led, mid-tier ranges, **Roadstar** – small, multi-featured products for niche markets and, under licence, **Ministry of Sound Audio** – innovative and desirable products featuring the latest technology primarily aimed at the youth market.

Radical changes to the structure, organisation and brand strategies of this Division were implemented in December 2006. These changes were made to ensure the Group is well placed and capable of maximising opportunities in the consumer “hungry” and dynamic UK Consumer Electronics market, the largest in Europe.

The CE mission statement is simply ‘to add value to our customers by providing desirable, volume selling products and services to meet their commercial objectives’. To succeed, a critical factor is that the CE Division differentiates its proposition through:-

- Unique product designs.
- Unique software solutions to make the new digital products easy to understand and to use.
- Brand choice and architecture to provide a one stop shop service for many different retail channels.
- Ensuring there is speed to market.
- Adding value + volume to all products above both the entry price points and levels of service that retailers could easily and profitably achieve by importing direct.
- The development and rapid movement of new technology products out of the hands of early adopters and into the mass market areas through product expertise and wider distribution channels.

CE division product distribution includes the key high street retailers, major supermarkets, wholesalers, online retailers, mail order and wholesale. The CE Division must continue to serve customers with speed, and be both flexible and entrepreneurial where appropriate.

To deliver this proposition the CE Division has simplified its structure, reducing overheads and streamlining all processes. Individual buying teams have been merged into one purchasing unit, and the duplication of products has

UK Consumer Electronics

Alba's UK Consumer Electronics incorporates such established and well known brands as **Alba** – high volume, lead-in ranges, **Bush** – value for money, trusted products,

been removed through a clear strategy that ensures each brand is targeted at and reaches a different segment within a wider market base. These segments are defined by product specification, feature counts, aesthetic design and price. Using the appeal of its brands, and operating on a good, better, best basis, Alba ensures that all the market areas important to its volume objectives are covered.

The UK Consumer Electronics market is extremely dynamic and often subject to the influences of fashion. Whilst the 2006 calendar year saw long term development continuing, the £600m+ added to the overall market turnover in the Audio/Vision sector was confined to only a few product sectors. Buoyant sectors during the year were LCD TV, Portable Car Navigation, Plasma TV and, unforeseen by market predictions and resulting from a fashion shift, Headphones, with MP3/4 suffering its first decline.

A feature of CE industry market analysis is that Group CE brand sales performances are not always captured and accurately reported, especially where solus product lines for major retailers are involved. However, the CE division has achieved substantial volume shares over the year including a 15.8% share of the Digital Set Top Box market.

The LCD TV sector continues to dominate the Vision market. Last year's trends are set to continue with the migration from CRT to Flat Panel TV. Volume increases will be greatest in very large screen sizes, 32" and above, as retail prices continue to fall. With the commencement of Digital Switchover in late 2007 and the launch of Freeview Playback, the Digital Television Recorder and the video downloading sectors are set to accelerate as more products with 'easy to use' software and user interfaces become available. Freeview announced in May 2007 that their research shows there are 31 million VCRs in use in the UK that will be targets for replacement as the regional programme of Digital Switchover is rolled out.

Total Audio volume was flat year on year with value falling by 5%. DAB Radio continues to remain a growth sector whilst Internet Radio, integrated iPod products in traditional systems, Portable accessories and In car Audio and accessories offer growth possibilities for the future.

Recognising these increasingly rapid market movements, business execution has been improved to manage the complete product lifecycles. A new IT costing system is being developed for implementation in 2007/08 to enable further transparency and accountability at all levels of the Group. Individuals are now managed by KPIs that are constantly tracked including sales, net profit, stock turn and returns.

Carl Lewis Fitness

Under licence, Carl Lewis Fitness Products include manual and motorised treadmills, exercise bikes, ellipticals, rowers, hand weights and boxing equipment. These products are positioned a step up from entry level and are design-led by the attractive Studio Range to give the brand more value. These ranges are being developed to achieve improved margins and to more effectively differentiate the product offering from the competition.

UK Leisure Products Division

Subsequent to year end, Alba's Leisure Division has been sold. This division consisted of the brands Breville, Antony Worrall Thompson by Breville, Bush Domestic Appliances, Hinari, Nicky Clarke Electric, Power Devil, JCB Power Products and Dirt Devil.

International Operations

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. Over the year this operation has been included in the Group reorganisation, which has resulted in an overall headcount reduction of 23%.

To provide engineering and quality control coverage, engineering bases and product testing facilities are located close to the areas of manufacturing in Shenzhen and Suzhou. For business efficiency reasons, some responsibilities have been moved from Hong Kong into Mainland China where staff numbers have been increased over the year.

Harvard Maritime Limited

Harvard Maritime Ltd provides Group brands, and increasingly its own portfolio of 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. Harvard Maritime Ltd has also successfully developed its own product areas including domestic air conditioning and small appliances. It also has a robust OEM medical electrical business, the success of which has led to the formation of a new company Harvard Medical Devices Limited. Under this company, and in response to consumers' interest in personal health and self-diagnosis, it is planned to develop further ranges of products which are seen as bringing new commercial benefits to the Group.

Objectives for the new year also 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.

Roadstar Management SA Europe

Based in Ticino, Switzerland, Roadstar has experienced severe market pressures and has traded weakly throughout the year. The business continues to be adjusted in line with these market conditions with a strategy for the future focused on the opportunities for international business conducted on an agency basis.

Financial Review

The Group's capital structure may be split between Debt Finance (£52.4m) and Shareholders' Funds (£60.5m). 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 credit as a percentage of profit before

taxation was 17% in the current year and 28% in the previous year. This compares with the statutory rate of 30%. The effective tax rate is below the UK statutory rate partly as a result of losses in the year for which a full tax credit has not been taken.

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 trade finance facilities with a significant number of banks, relations with most of whom date back for a considerable period of time.

The business of importing from the Far East in particular and elsewhere to a large extent has been carried out by means of irrevocable Letters of Credit (Documentary Credits). This is the payment instrument that manufacturers in the Far East have historically been most comfortable with and knew best and which encouraged 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 17 to the accounts on pages 51 to 54.

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.

Return on capital employed (ROCE)

- Definition and calculation: ROCE, measures the profit/(loss) 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/(loss) before tax for calculation of ROCE =**
Profit/(loss) before tax
 - Capital employed =**
Shareholders funds
- Quantified target: 25%
- Quantified data: Consolidated ROCE –
 - 2006/7 – (71.5)%
 - 2005/6 – 2.3%
 - 2004/5 – 20.2%
 - 2003/4 – 32.2%
 - 2002/3 – 38.7%
- 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
 - Gross profit =**
Gross profit

- Quantified target: 12.5%
- Quantified data: Gross profit percentage –
 - 2006/7 – 4.6%
 - 2005/6 – 10.9%
 - 2004/5 – 11.6%
 - 2003/4 – 13.7%
 - 2002/3 – 13.6%

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
 - Total overheads =**
Total overheads
- Quantified target: 8.0%
- Quantified data: Gross profit percentage –
 - 2006/7 – 10.8%
 - 2005/6 – 10.0%
 - 2004/5 – 8.5%
 - 2003/4 – 8.5%
 - 2002/3 – 8.3%
- 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 generated 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.

- Quantified target: A minimum target of 50% cash conversion in any year.
- Quantified data: Cash conversion –
 - 2006/7 – (54.4)%
 - 2005/6 – 686.3%
 - 2004/5 – (48.5)%
 - 2003/4 – 57.2%
 - 2002/3 – 37.9%
- 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
- Quantified target: 6.0
- Quantified data: Stock turn –
 - 2006/7 – 8.0
 - 2005/6 – 5.6
 - 2004/5 – 5.1
 - 2003/4 – 5.3
 - 2002/3 – 5.5
- 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 29 to 31, 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 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), which is at the same level as the previous two years. The in-depth review of our UK Health and Safety policy planned for 2006 has been extended into 2007 to accommodate the changes associated with the business reorganisation. This will formalise revised statistical analysis and employee feedback. It will also assist in the formulation of future safety campaigns.

Our Compliance Manager visits all UK sites at least twice a year, to conduct audits and risk assessments. During 2007/8 an extensive review of current risk assessments is to be undertaken. This recognises that functional responsibility and in some cases the location of activities have altered and will ensure that all of the changes have been fully reflected.

During the year, Health and Safety Executive Inspectors and the Fire Brigade carried out routine inspections at our two main warehouses in Rugby and Cortonwood with satisfactory results. In addition, the Group's liability insurer's 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 continued to monitor the performance of its suppliers and the effectiveness of the audit trail it developed to ensure that our products for the EU market comply.

The Waste Electrical and Electronic Equipment Regulations (“WEEE”) came into full force on 1 July 2007. 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 objective is to assist its members to fulfil their obligations under WEEE, and is currently represented on its Board of Directors. Working with Government Ministers and senior officials from the Department of Trade and Industry, REPIC continues to seek 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 29 to 31.

In order to comply with the Health Act 2006, which is the enabling legislation for Smokefree England, the Group has prohibited smoking within enclosed/substantially enclosed buildings and smoke free vehicles. The relevant policy has

been displayed at all sites and will in future be given to all new employees. In parallel, the mandatory signage has also been put in place.

Employee Relations and Human Capital Management

During the year under review, on average the Group employed 822 people, 660 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, relating to the performance of the Group. Effective communication was of particular importance during the Group-wide reorganisation phases. 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.

The 2007 CBI absence and labour turnover survey which is based on responses for the twelve months to 31 December 2006, from businesses of various sizes, in a wide variety of sectors in the United Kingdom, revealed average days lost per employee of 8.0 for manual and 6.2 for non-manual. The average percentage of working time lost was 3.9% and 2.8% respectively. The Group did not participate in this year's survey but continues to use the results to monitor and benchmark its own performance. The average number of days of absence for our employees was 3.3 for manual and 2.0 for non-manual. Although the Group is satisfied that these statistics demonstrate that sickness and absenteeism levels continue to be well managed, it acknowledges that the aforementioned averages do not reflect the effects of the substantial headcount reduction made during the year. Nevertheless, the weighting of our statistics to take account of such reduction would still produce satisfactory results.

The Directors have pleasure in submitting their Annual Report for the year ended 31 March 2007.

Principal Group Activities and Review of Operations

The Chairman's Statement on pages 3 to 7 and the Business Review on pages 8 to 15 describe the principal activities and operations of the Group. The principal subsidiaries are listed in Note 14 on page 50.

Results and Dividends

The results of the Group are set out in the Consolidated Income Statement on page 32. The transfers to reserves are shown in Note 22 on page 59.

The Directors do not recommend a final dividend in view of the Group's performance over the past year and the modest outcome expected for 2007/08.

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.

Mr D B Harris and Ms B P Blow retire by rotation at this year's Annual General Meeting and, being eligible, offer themselves for re-election.

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

Mr D W Allen resigned from the Board on 8 June 2007 to avoid any potential conflicts of interest in relation to the sale of the Leisure Division.

Sir Digby Jones resigned from the Board on 3 July 2007 in order to take up his role in Government as Minister of State for Trade and Investment.

Following the Extraordinary General Meeting of the Company held on 22 August 2007, Mr J E Harris announced both his intention to retire from the Board at the conclusion of the Company's 2007 Annual General Meeting and the appointment of Ms B P Blow as Non-Executive Chairman.

Directors' Biographies

J E Harris CBE, Chairman and Founder

John Harris, 75, 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, 47, 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 is Chief Executive of the Group's Consumer Electronics Division.

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

Andrew Rose, 48, 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. He is responsible for the division which provides the Group's support services.

P J Cannon, Director

Paul Cannon, 56, 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.

A Coda, Director

Antonio Coda, 70, 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.

P E Selway-Swift, Non-Executive Director

Paul Selway-Swift, 63, 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 and of several other companies. 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.

Ms B P Blow, Non-Executive Director

Bridget Blow, 58, joined the Board on 1 July 2005, at which time she became a member of the Audit and Remuneration Committees. On 20 September 2006, Bridget also became a member of the Nomination Committee. She is also Non-Executive Chairman of Trustmarque Solutions and a Non-Executive Director of the Coventry Building Society. Bridget was Chief Executive of ITNET plc from 1994 to 2005, leading a buyout from

Cadbury Schweppes in 1995 and a full listing on the London Stock Exchange in 1998. 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 DBERR's Industrial Development Advisory Board and Leadership and Management Advisory Panel and the Council of Birmingham University.

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 19 to 24 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 29 August 2007:

| | Number of shares held | Percentage |
|--|-----------------------|------------|
| Legal & General Investment Management Ltd. | 7,992,636 | 15.59 |
| * Mrs A J Kaye (the daughter of Mr J E Harris) | 6,100,367 | 11.90 |
| + Pailex Securities International Inc | 4,825,883 | 9.42 |
| Bluecrest Equity Master Fund Limited | 4,204,729 | 8.20 |
| GAM London Limited | 3,210,000 | 6.26 |
| Fidelity Investments Ltd. | 1,585,674 | 3.09 |
| Principle Capital Investment Trust Plc | 1,544,974 | 3.01 |

*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 2007 Annual General Meeting and a new authority is being sought. During the year, the Company sold 200,000 Ordinary Shares of 10p each which were being held in treasury and which represented 0.39% of the Company's issued share capital, to the Alba plc ESOP Trust at 186.5p per share. No such Ordinary Shares were purchased during the year.

Employees

A statement setting out the Group's employment policy can be found in the Corporate Governance Report on page 29.

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 2007, the average number of creditor days was 19 (2006 : 25).

Annual General Meeting

The Annual General Meeting of the Company will be held at the Hilton Watford, Elton Way, Watford, Hertfordshire WD25 8HA on 4 October 2007 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 £10,900 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.

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.

On 30 April 2007 the Company's Auditors UHY Hacker Young, transferred their business to a limited liability partnership, UHY Hacker Young LLP ("the LLP"), and the office of the auditor has passed to the LLP. UHY Hacker Young LLP 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

Bush House The Waterfront
Elstree Road Elstree
Hertfordshire WD6 3BS.

By Order of the Board

J E Malin Secretary

31 August 2007

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 4 October 2007, 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 is chaired by Mr P E Selway-Swift and its other members are Ms B P Blow and until his resignation on 3 July 2007, Sir Digby Jones, all of whom are Non-Executive Directors. 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 4 October 2007 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 more effective.

The Committee believes that the policy adopted in the Group's remuneration of Executive Directors and senior managers will contribute to the long term success 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 private 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 received performance and loyalty bonuses of £30,000 and £100,000 respectively under agreements made prior to his appointment to the Board.

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 under the terms of the Alba plc 1996 Executive Share Option Schemes are not normally exercisable until the third anniversary of the date of grant and subsisting options are subject to the following performance conditions:-

Over a continuous period of at least three years commencing no earlier than the financial year during which the option is granted, the average percentage growth in the adjusted EPS (earning per share) of the Company must exceed the average percentage growth in the Retail Prices Index over the same period by a minimum of 2 per cent. per annum.

These conditions were based on standard practice prevailing at the time the schemes were established and have not yet been met 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.

Both the 1996 Executive Share Option Schemes and 1996 Savings-Related Share Option Scheme were renewed in September 2006. No options have been granted under these schemes and the performance conditions for the Executive Schemes have yet to be established.

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

(1) Alba plc 1996 Executive Share Option Scheme:

| Exercise Price | 1 April 2006 | Granted during the year ended 31 March 2007 | Lapsed during the year ended 31 March 2007 | Exercised during the year ended 31 March 2007 | 31 March 2007 |
|----------------|--------------|---|--|---|---------------|
| D W Allen | | | | | |
| (a) 437.5p | 6,857* | – | – | – | 6,857 |
| (b) 437.5p | 3,143* | – | – | – | 3,143 |
| (c) 373p | 15,000* | – | – | – | 15,000 |
| | 25,000 | – | – | – | 25,000 |

* At date of appointment.

The options are exercisable between the following dates:

- (a) 16 December 2005 and 15 December 2012
- (b) 16 December 2005 and 15 December 2009
- (c) 1 July 2008 and 30 June 2012

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

| Exercise Price | 1 April 2006 | Granted during the year ended 31 March 2007 | Lapsed during the year ended 31 March 2007 | Exercised during the year ended 31 March 2007 | 31 March 2007 |
|----------------|--------------|---|--|---|---------------|
| A D Rose | | | | | |
| (a) 264p | 2,784 | – | 2,784 | – | – |
| (b) 248p | 3,320 | – | 3,320 | – | – |
| (c) 350p | 568 | – | – | – | 568 |
| (d) 313.2p | 2,110 | – | – | – | 2,110 |
| | 8,782 | – | 6,104 | – | 2,678 |
| D W Allen | | | | | |
| (e) 350p | 1,877* | – | – | – | 1,877 |
| (f) 636p | 1,660* | – | – | – | 1,660 |
| | 3,537 | – | – | – | 3,537 |

* At date of appointment.

(a) and (b) options were exercisable between 1 September 2006 and 28 February 2007.

The other options are exercisable between the following dates:

- (c) 1 February 2010 and 31 July 2010
- (d) 1 September 2010 and 28 February 2011
- (e) 1 February 2008 and 31 July 2008
- (f) 1 September 2011 and 29 February 2012

In addition, the Alba ESOP Trust, which during the year purchased 239,086 shares at a price of 186.5p per share, including 200,000 shares purchased from the Company which were being held in treasury, at 31 March 2007, held 678,112 Ordinary Shares in the Company for beneficiaries including, inter alia, Directors and employees of the Company and its subsidiaries. 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 acquired by the ESOP and not allocated.

No options were exercised during the year.

The market price of the Company's shares on 31 March 2007 was 188.75p per Ordinary Share and the high and low share prices during the year to 31 March 2007 were 262p and 182p, 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:

| | Date of award | Market price on date of award | Granted during | | Lapsed during | |
|------------|---------------|-------------------------------|----------------|---------------|---------------|---------------|
| | | | 1 April 2006 | 31 March 2007 | 31 March 2007 | 31 March 2007 |
| J E Harris | (a) 01.07.03 | 502.5p | 20,193 | – | 20,193 | – |
| | (b) 01.07.04 | 795.0p | 13,807 | – | – | 13,807 |
| | (c) 01.07.05 | 377.5p | 41,873 | – | – | 41,873 |
| | (d) 01.07.06 | 207.0p | – | 81,985 | – | 81,985 |
| | | | 75,873 | 81,985 | 20,193 | 137,665 |
| D B Harris | (a) 01.07.03 | 502.5p | 29,668 | – | 29,668 | – |
| | (b) 01.07.04 | 795.0p | 20,117 | – | – | 20,117 |
| | (c) 01.07.05 | 377.5p | 61,069 | – | – | 61,069 |
| | (d) 01.07.06 | 207.0p | – | 121,733 | – | 121,733 |
| | | | 110,854 | 121,733 | 29,668 | 202,919 |
| A D Rose | (a) 01.07.03 | 502.5p | 19,355 | – | 19,355 | – |
| | (b) 01.07.04 | 795.0p | 13,699 | – | – | 13,699 |
| | (c) 01.07.05 | 377.5p | 41,341 | – | – | 41,341 |
| | (d) 01.07.06 | 207.0p | – | 82,252 | – | 82,252 |
| | | | 74,395 | 82,252 | 19,355 | 137,292 |

| | | | | | | |
|------------|--------------|--------|--------|--------|-------|--------|
| P J Cannon | (a) 01.07.03 | 502.5p | 6,444 | – | 6,444 | – |
| | (b) 01.07.04 | 795.0p | 3,985 | – | – | 3,985 |
| | (c) 01.07.05 | 377.5p | 9,324 | – | – | 9,324 |
| | (d) 01.07.06 | 207.0p | – | 17,831 | – | 17,831 |
| | | | 19,753 | 17,831 | 6,444 | 31,140 |
| A Coda | (a) 01.07.03 | 502.5p | 5,371 | – | 5,371 | – |
| | (b) 01.07.04 | 795.0p | 3,290 | – | – | 3,290 |
| | (c) 01.07.05 | 377.5p | 8,767 | – | – | 8,767 |
| | (d) 01.07.06 | 207.0p | – | 16,150 | – | 16,150 |
| | | | 17,428 | 16,150 | 5,371 | 28,207 |

(a) As neither of the two performance targets detailed below was met the awards granted on 1 July 2003 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 2007, (c) 1 July 2008 and (d) 1 July 2009 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).

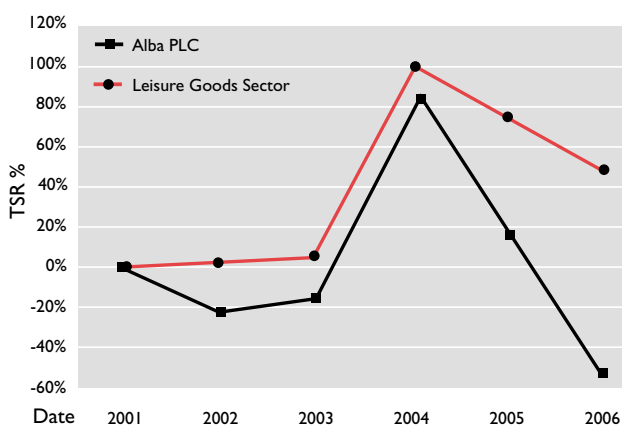
If in relation to either of the above targets Alba plc's growth achievement against the relevant comparative during the performance period is (in case of the TSR target) 6% or more but less than 9% or (in case of the EPS target) 2% per annum or more but less than 3% per annum, then

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 performance targets were based on standard practice prevailing at the time the plan was established and were discussed with and approved by major institutional shareholders prior to implementation of the Long-Term Incentive Plan.

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 2004 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, Mr A D Rose and Mr D W Allen 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 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 became "paid up" and during the period 1 July 2005 to 31 March 2006, the pension contributions paid into the Stakeholder Pension Scheme for Mr D B Harris and Mr A D Rose were subject to contribution limits. Subsequent to 6 April 2006 - "A Day", the shortfalls in their pension contribution entitlement for the previous period of £61,342 for Mr D B Harris and £32,718 for Mr A D Rose were paid into Self-Invested Personal Pensions established by them during the year under review. 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 and Mr D W Allen whose employment agreements are 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 |
| Mr D W Allen | 4 December 1996 | Dreamland Appliances Limited (company name changed to Pulse Home Products Limited in November 1999) |

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.

Non-Executive Directors do not have service contracts and 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 16 and 17. 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 2007 £'000 | for the year ended 31 March 2006 £'000 |
|---|--|--|
| Emoluments for qualifying services | 1,782 | 1,505 |
| Contributions to money purchase Pension schemes and SPPs | 303 | 94**** |
| Benefits | 64 | 68 |
| | 2,149 | 1,667 |
| Fees | 174 | 188 |
| Total | 2,323 | 1,855 |

The remuneration of each Director for the year ended 31 March 2007 is made up as follows:

| | Emoluments for qualifying service £'000 | Pension contributions £'000 | Benefits £'000 | Total £'000 | Prior year total £'000 |
|------------------|---|-----------------------------------|-------------------|----------------|---------------------------------|
| J E Harris | 341 | – | – | 341 | 341 |
| D B Harris | 509 | 159*** | – | 668 | 544**** |
| A D Rose | 344 | 98*** | – | 442 | 374**** |
| P J Cannon | 139 | 24 | 56 | 219 | 234 |
| A Coda | 157 | – | 6 | 163 | 174 |
| D W Allen* | 292 | 22 | 2 | 316 | – |
| D J Brecher** | 12 | – | – | 12 | 25 |
| W F Cotton** | 12 | – | – | 12 | 25 |
| P E Selway-Swift | 50 | – | – | 50 | 50 |
| D M Jones | 50 | – | – | 50 | 50 |
| B P Blow | 50 | – | – | 50 | 38 |

* Since date of appointment on 19 June 2006

** Up to date of retirement on 20 September 2006

*** For the period 1 July 2005 to 31 March 2006, contributions paid into the Stakeholder Pension Scheme for Mr D B Harris and Mr A D Rose were subject to contribution limits. The shortfalls in pension contributions, details of which are set out under Pensions on page 22, were paid into Self-Invested Personal Pensions established by them during the year under review.

**** These comparatives have been restated to reflect contributions of £25,536 for Mr D B Harris and £16,286 for Mr A D Rose paid between April and June 2005 into the Alba plc Group Retirement and Death Benefit Scheme, which were omitted from last year's report.

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 2007 | Beneficial 31 March 2006 | Non-Beneficial 31 March 2007 | Non-Beneficial 31 March 2006 |
|------------------|--------------------------------|--------------------------------|------------------------------------|------------------------------------|
| 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 | 231,649 | - | - |
| P J Cannon | 138,406 | 138,406 | - | - |
| A Coda | 15,599 | 15,599 | - | - |
| D W Allen | - | - | - | - |
| P E Selway-Swift | 5,760 | 5,760 | - | - |
| D M Jones | 3,000 | 3,000 | - | - |
| B P Blow | 10,000 | 10,000 | - | - |

As at 31 August 2007 there had been no alterations to the Directors' interests since 31 March 2007.

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

31 August 2007

The Board seeks to comply with established corporate governance best practice. Throughout the year to 31 March 2007, the Company complied with the provisions of section 1 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 performance evaluation. Due to demands on the Board of the major reorganisation and restructuring programme, the introduction of a formalised performance evaluation is now due to be completed before the end of 2007.

The Board

The Board, which met four 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 five Executive Directors and two Non-Executive Directors. Their names and biographical details are set out on pages 16 and 17. 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. Their re-appointment is considered every three years by the Board and, if the Board recommends such re-appointment, by the Company.

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.

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 Independent Non-Executive Directors have reviewed the performance of the Chairman and concluded that in a very difficult trading environment, they were satisfied with

his performance and recognise that in the past year he has worked tirelessly in the best interests of all shareholders and other interested parties. It is the intention of the Board to carry out a self assessment of its effectiveness before the end of 2007.

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), Ms B P Blow and until his resignation on 3 July 2007, Sir Digby Jones.

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. The external auditors attended two meetings and, by invitation, the Chairman and Finance Director attended all three meetings. The following matters were reviewed and discussed: -

- The External Auditors' Report to the Committee for the year ended 31 March 2006 and the Audit and Client Service Plans for 2007.

- The activities of the Internal Audit Department and the internal audit programme.
- 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 2007.

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 LLP 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 LLP 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), Ms B P Blow and until his resignation on 3 July 2007, Sir Digby Jones.

The principal duties of the Remuneration Committee, which met once during the year, are to consider all aspects of Directors' remuneration. Its policy is to establish remuneration packages, which enable the Company to 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 19 to 24.

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 comprised 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. On 20 September 2006, Sir William F Cotton retired from and Ms B P Blow was appointed to the committee. 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 to consider the appointment of Mr D W Allen to the Board. It evaluated the skills, knowledge and experience of the Executive Directors already on the Board and decided that the Board would be further enhanced by the appointment of an additional Executive Director directly involved in the running of the Group's Leisure Division.

In selecting a new Chairman to replace Mr J E Harris, the Nomination Committee felt that Ms B P Blow had all the attributes that the Company was seeking in a new Chairman and that accordingly neither an external search consultancy nor open advertising was used in relation to such appointment.

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) | (4) | (3) | (1) | (1) |
| J E Harris | 4 | 3* | 1* | 1 |
| D B Harris | 4 | n/a | n/a | n/a |
| A D Rose | 4 | 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 W Allen ** | 2 | n/a | n/a | n/a |
| D J Brecher*** | 2 | n/a | n/a | n/a |
| W F Cotton*** | 2 | n/a | n/a | 1 |
| P E Selway-Swift | 4 | 3 | 1 | 1 |
| D M Jones | 4 | 3 | 1 | n/a |
| B P Blow | 4 | 3 | 1 | n/a |

* By invitation.

** From date of appointment.

*** To date of retirement

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 the Grundig Joint Venture, 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 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

During the year the Internal Audit Manager liaised with the Compliance Manager in order to share information revealed by their individual activities and to co-ordinate effort. The Internal Audit Manager reported to the Audit Committee to enable it to consider the findings of investigations and the response of management and to keep under review the effectiveness of the internal audit function. During the course of the restructuring

programme, the responsibilities of internal audit were merged with Compliance and Governance functions.

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

The Directors are responsible for the maintenance and integrity of the Company 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 members of 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 other 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.

As stated in the Business Review, during the year a substantial headcount reduction resulted from the Group-wide reorganisation. Formal redundancy programmes were implemented which included consultation with employees, election of workplace representatives by way of a secret ballot and the adequate training of representatives who were also allowed sufficient time off to consult with those whom they represented. In addition assistance was provided to help redundant employees with the search for new employment including liaison with recruitment agencies and job centres as well as in-house briefings on

job search and CV writing provided by an employment specialist. Those redundant employees with more than two years' service were allowed reasonable time off with pay to seek alternative employment.

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.

A Stakeholder Pension Plan, which offers comparable money purchase benefits, was established in July 2005. This arrangement provides 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 that it is everyone's 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

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 a 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. In relation to issues such as a minimum wage, overtime, hours of work and sickness pay, suppliers 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 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 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
31 August 2007

Consolidated Income Statement

| | Notes | Year ended 31 March 2007 £'millions | Year ended 31 March 2006 £'millions |
|--|-------|--|--|
| Revenue | | | |
| Group and share of joint venture | | 436.6 | 567.3 |
| Less share of joint venture | | (112.2) | (135.6) |
| Group revenue | 2 | 324.4 | 431.7 |
| Cost of sales | | (334.3) | (402.9) |
| Gross (loss)/profit | | (9.9) | 28.8 |
| Net operating expenses | 3 | (28.2) | (36.6) |
| Operating Loss | | (38.1) | (7.8) |
| Finance costs | 4 | (1.9) | (1.9) |
| Finance income | 4 | 1.4 | 1.1 |
| Total Operating Loss | | (38.6) | (8.6) |
| Share of results of joint venture | 13 | (16.0) | (2.8) |
| Loss before tax | 5 | (54.6) | (11.4) |
| Tax | 7 | 9.4 | 3.2 |
| Loss for the period from continuing operations | | (45.2) | (8.2) |
| Profit for the period from discontinuing operations | 8 | 7.4 | 9.4 |
| (Loss)/Profit for the period | | (37.8) | 1.2 |
| Attributable to: | | | |
| Equity holders of the parent | | (37.8) | 1.2 |
| Earnings per share (in pence) | 9 | | |
| Basic - continuing operations | | (89.3)p | (16.2)p |
| - discontinuing operations | | 14.6p | 18.6p |
| - total | | (74.7)p | 2.4p |
| Diluted - continuing operations | | (89.3)p | (16.0)p |
| - discontinuing operations | | 14.6p | 18.3p |
| - total | | (74.7)p | 2.3p |

Consolidated Statement of Recognised Income and Expense

| | | | |
|--|----|---------------|-------|
| Net income/(expense) recognised directly in equity: | | | |
| Exchange differences on translation of overseas operations | | (8.3) | 3.2 |
| Currency translation difference on net investment hedges | | 5.2 | (4.8) |
| Losses relating to designated hedges | | (2.8) | - |
| Property revaluation | | 9.9 | - |
| Tax on items taken directly to reserves | | (1.4) | 1.9 |
| (Loss)/profit for the period | | (37.8) | 1.2 |
| Total recognised (expense)/income for period (all attributable to shareholders) | 23 | (35.2) | 1.5 |

Group Balance Sheet

| Notes | 31 March 2007 £'millions | 31 March 2006 £'millions |
|--|--------------------------------|--------------------------------|
| Non-current assets | | |
| Goodwill | 11 | – |
| Property, plant and equipment | 12 | 27.2 |
| Investment in joint venture | 13 | 12.0 |
| Total non-current assets | 39.2 | 47.4 |
| Current assets | | |
| Inventories | 15 | 43.2 |
| Trade receivables and other receivables | 16 | 47.1 |
| Financial assets - derivative financial instruments | 17 | – |
| Tax recoverable | | 2.3 |
| Cash and cash equivalents | | 0.5 |
| Total current assets | 93.1 | 183.0 |
| Non-current assets classified as held for resale | 8 | 32.9 |
| Total assets | 165.2 | 230.4 |
| Current liabilities | | |
| Bank borrowings and overdrafts | 17 | 52.9 |
| Trade and other payables | 18 | 31.6 |
| Financial liabilities - derivative financial instruments | 17 | 2.8 |
| Income tax | | 1.4 |
| Provisions | 19 | 4.4 |
| Total current liabilities | 93.1 | 112.1 |
| Non-current liabilities | | |
| Bank borrowings | 17 | – |
| Deferred tax | 20 | 1.0 |
| Total non-current liabilities | 1.0 | 14.7 |
| Liabilities directly associated with non-current assets classified as held for resale | 8 | 9.6 |
| Total liabilities | 103.7 | 128.2 |
| Total net assets | 61.5 | 102.2 |
| Equity attributable to equity holders of the parent | | |
| Share capital | 21 | 5.1 |
| Share premium | 22 | 18.6 |
| Investment in own shares | 22 | (2.3) |
| Translation reserve | 22 | (6.6) |
| Hedging reserve | 22 | (0.9) |
| Revaluation reserve | 22 | 8.5 |
| Other reserves | 22 | 1.7 |
| Retained earnings | 22 | 37.4 |
| Total equity | 23 | 61.5 |

Company Balance Sheet

| | Notes | 31 March 2007 £'millions | 31 March 2006 £'millions |
|--|-------|--------------------------------|--------------------------------|
| Non-current assets | | | |
| Investments | 14 | 25.0 | 25.0 |
| Total non-current assets | | 25.0 | 25.0 |
| Current assets | | | |
| Trade receivables and other receivables | 16 | 35.3 | 34.5 |
| Total current assets | | 35.3 | 34.5 |
| Total assets | | 60.3 | 59.5 |
| Current liabilities | | | |
| Trade and other payables | 18 | 21.0 | 14.1 |
| Total current liabilities | | 21.0 | 14.1 |
| Total liabilities | | 21.0 | 14.1 |
| Total net assets | | 39.3 | 45.4 |
| Equity attributable to equity holders of the parent | | | |
| Share capital | 21 | 5.1 | 5.1 |
| Share premium | 22 | 18.6 | 18.6 |
| Capital reserve | 22 | 2.7 | 2.7 |
| Investment in own shares | 22 | (2.3) | (2.6) |
| Other reserves | 22 | 1.7 | 1.6 |
| Retained earnings | 22 | 13.5 | 20.0 |
| Total equity | | 39.3 | 45.4 |

The accounts on pages 32 to 63 were approved by the Board of Directors on 31 August 2007 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 2007 £'millions | for the year ended 31 March 2006 £'millions |
|---|---|---|
| Cash flow from operating activities | | |
| 24 | 24.0 | 35.0 |
| | 0.7 | (2.6) |
| | 24.7 | 32.4 |
| Cash flows from investing activities | | |
| | 1.4 | 1.1 |
| | (1.1) | (0.9) |
| | 0.3 | 0.2 |
| Cash flows from financing activities | | |
| | – | (1.6) |
| | (1.9) | (1.9) |
| | – | 0.4 |
| | (5.6) | (5.6) |
| | (24.7) | (4.0) |
| | 1.9 | 4.4 |
| | (30.3) | (8.3) |
| | (5.3) | 24.3 |
| | 1.4 | (1.6) |
| | (8.3) | (31.0) |
| | (12.2) | (8.3) |

Company Cash Flow Statement

| | for the year ended 31 March 2007 £'millions | for the year ended 31 March 2006 £'millions |
|---|---|---|
| Operating loss | (0.6) | (0.8) |
| IFRS 2 share option charge | 0.1 | 0.5 |
| Increase in receivables | (0.8) | – |
| Decrease in amounts owed by subsidiaries | 6.9 | 7.1 |
| Cash flows from operating activities | 5.6 | 6.8 |
| Cash flows from investing activities | | |
| Purchase of investments | – | (1.6) |
| Net cash flow used in investing activities | – | (1.6) |
| Financing activities | | |
| Proceeds on issue of ordinary shares | – | 0.4 |
| Dividends paid | (5.6) | (5.6) |
| Net cash flow used in financing activities | (5.6) | (5.2) |
| 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 (2006 : £NIL)

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.

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 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.

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 is stated at valuation which has been made in accordance with the Red Book published by the Royal Institution of Chartered Surveyors (RICS). Revaluations of this class of fixed assets will be carried out on a regular basis. Material changes to asset valuation will be adjusted as they occur. Any surplus/deficits arising from movements in valuation will be credited/debited to the revaluation reserve.

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.

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 previously purchased some of its own shares. The consideration paid for the Group's own shares was 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.

Derivative Financial Instruments

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 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.

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.

Disposal groups held for sale

On classification as held for sale, non-current assets are recognised at the lower of carrying amount and fair value less costs to disposal. Profit or loss associated with these assets is classified as "Profit for the period on discontinuing operations". Impairment losses on initial classification as held for sale are also included in this classification, as are any gains and losses on subsequent re-measurement.

New standards and interpretations not applied

During the year, the IASB and IFRIC have issued a number of new standards, amendments and interpretations with an effective date after the date of these financial statements. Of these, only the following are expected to be relevant to the group:

| | | Effective date - financial periods beginning on or after |
|----------|--|---|
| IFRS 7 | Financial Instruments: Disclosures | 1 January 2007 |
| IFRS 8 | Operating segments | 1 January 2009 |
| IAS 1 | Presentation of Financial Statements: Capital Disclosures | 1 January 2007 |
| IFRIC 8 | Scope of IFRS 2 | 1 May 2006 |
| IFRIC 9 | Reassessment of Embedded Derivatives | 1 June 2006 |
| IFRIC 10 | Interim Financial Reporting and Impairment | 1 November 2006 |
| IFRIC 12 | Service Concession Arrangements | 1 January 2008 |

The directors do not anticipate that the adoption of these standards and interpretations will have a material impact 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.

2 Segment Information

(a) Primary reporting format - business segments.

Since 1st April 2006, the Group has operated, in as much as practically possible, as two business segments, the Consumer Electronics Division ("Continuing operations") and the Leisure Division ("Discontinuing operations"). These divisions are the basis on which the Group reports its primary segment information as below.

| | Year ended 31st March 2007 | | | Year ended 31st March 2006 | | |
|-----------------------------------|-------------------------------------|--|---------------------|-------------------------------------|--|---------------------|
| | Continuing operations £'millions | Discontinuing operations £'millions | Total £'millions | Continuing operations £'millions | Discontinuing operations £'millions | Total £'millions |
| Revenue | | | | | | |
| External Sales | 324.4 | 129.2 | 453.6 | 431.7 | 146.9 | 578.6 |
| Inter-segment sales | 72.5 | - | 72.5 | 103.0 | - | 103.0 |
| Operating Profit | (38.1) | 10.6 | (27.5) | (7.8) | 13.4 | 5.6 |
| Finance Costs | (0.5) | - | (0.5) | (0.8) | - | (0.8) |
| Total Operating Profit | (38.6) | 10.6 | (28.0) | (8.6) | 13.4 | 4.8 |
| Share of results of joint venture | (16.0) | - | (16.0) | (2.8) | - | (2.8) |
| Profit before tax | (54.6) | 10.6 | 44.0 | (11.4) | 13.4 | 2.0 |
| Segment assets | 120.3 | 32.9 | 153.2 | 159.5 | 42.9 | 202.4 |
| Joint venture | 12.0 | - | 12.0 | 28.0 | - | 28.0 |
| Total assets | 132.3 | 32.9 | 165.2 | 187.5 | 42.9 | 230.4 |
| Total liabilities | (92.7) | (9.6) | (102.3) | (105.7) | (17.0) | (122.7) |
| Net assets | 39.6 | 23.3 | 62.9 | 81.8 | 25.9 | 107.7 |
| Income tax | (1.4) | - | (1.4) | (5.5) | - | (5.5) |
| Total net assets | 38.2 | 23.3 | 61.5 | 76.3 | 25.9 | 102.2 |
| Capital expenditure | 0.8 | 0.3 | 1.1 | 1.0 | 0.1 | 1.1 |
| Depreciation charge | 1.4 | 0.1 | 1.5 | 1.3 | 0.2 | 1.5 |

Notes to the Accounts

(b) Secondary reporting format - geographical segments.

The Group's geographical segments are based on the Group's assets which are located in UK, Mainland Europe and the Far East.

(i) The geographical analysis of turnover of continuing operations by geographical location of customer is as follows:

| | Group £'millions | Share of joint venture £'millions | for the year ended 31 March 2007 £'millions | Group £'millions | Share of joint venture £'millions | for the year ended 31 March 2006 £'millions |
|---|---------------------|--|---|---------------------|--|---|
| Revenue | | | | | | |
| United Kingdom | 271.6 | – | 271.6 | 354.5 | – | 354.5 |
| Italy | 7.4 | 7.1 | 14.5 | 17.5 | 10.9 | 28.4 |
| Germany | 19.3 | 46.7 | 66.0 | 29.3 | 57.5 | 86.8 |
| Switzerland | 0.5 | 4.7 | 5.2 | 2.5 | 7.4 | 9.9 |
| France | 2.4 | 4.7 | 7.1 | 3.6 | 7.1 | 10.7 |
| Rest of Europe | 19.1 | 55.5 | 74.6 | 23.6 | 62.3 | 85.9 |
| Rest of World | 4.1 | 1.1 | 5.2 | 0.7 | 3.3 | 4.0 |
| | 324.4 | 119.8 | 444.2 | 431.7 | 148.5 | 580.2 |
| less : 50% of Group sales to Grundig | – | (7.6) | (7.6) | – | (12.9) | (12.9) |
| | 324.4 | 112.2 | 436.6 | 431.7 | (135.6) | 567.3 |

Inter-segmental sales are set on an arm's length basis.

(ii) Other geographical segment information of continuing operations is as follows:

| | UK £'millions | Mainland Europe £'millions | Far East £'millions | Total £'millions | UK £'millions | Mainland Europe £'millions | Far East £'millions | Total £'millions |
|----------------------------|------------------|----------------------------------|------------------------|---------------------|------------------|----------------------------------|------------------------|---------------------|
| Segment assets | 10.1 | 18.0 | 92.2 | 120.3 | 37.9 | 23.8 | 97.8 | 159.5 |
| Joint venture | – | 12.0 | – | 12.0 | – | 28.0 | – | 28.0 |
| Total assets | 10.1 | 30.0 | 92.2 | 132.3 | 37.9 | 51.8 | 97.8 | 187.5 |
| Total liabilities | (59.5) | (15.0) | (18.2) | (92.7) | (63.3) | (20.8) | (21.6) | (105.7) |
| Net assets | (49.4) | 15.0 | 74.0 | 39.6 | (25.4) | 31.0 | 76.2 | 81.8 |
| Income tax | – | – | (1.4) | (1.4) | (4.6) | – | (0.9) | (5.5) |
| Total net assets | (49.4) | 15.0 | 72.6 | 38.2 | (30.0) | 31.0 | 75.3 | 76.3 |
| Capital expenditure | 0.5 | – | 0.3 | 0.8 | 0.6 | 0.2 | 0.2 | 1.0 |
| Depreciation charge | 1.2 | 0.1 | 0.1 | 1.4 | 1.1 | 0.1 | 0.1 | 1.3 |

| 3 Net Operating Expenses | Continuing operations £'millions | Discontinuing operations £'millions | for the year ended 31 March 2007 £'millions | Continuing operations £'millions | Discontinuing operations £'millions | for the year ended 31 March 2006 £'millions |
|---------------------------------|-------------------------------------|--|---|-------------------------------------|--|---|
| Selling and distribution | 9.4 | 6.5 | 15.9 | 10.4 | 7.4 | 17.8 |
| Administration | 19.1 | 13.8 | 32.9 | 26.3 | 13.5 | 39.8 |
| Other operating income | (0.3) | – | (0.3) | (0.1) | – | (0.1) |
| | 28.2 | 20.3 | 48.5 | 36.6 | 20.9 | 57.5 |

| 4 Finance costs/income | for the year ended 31 March 2007 £'millions | for the year ended 31 March 2006 £'millions |
|---|---|---|
| Finance costs comprise: | | |
| Interest on bank loans and overdrafts repayable within 5 years | 1.9 | 1.9 |
| Finance income comprises: | | |
| Bank interest receivable | 0.4 | 0.1 |
| Interest from joint venture | 1.0 | 1.0 |
| | 1.4 | 1.1 |

| 5 Loss before tax is stated after charging | for the year ended 31 March 2007 £'millions | for the year ended 31 March 2006 £'millions |
|---|---|---|
| Directors' emoluments | 2.3 | 1.8 |
| Auditors' remuneration | | |
| Audit services – UK (Parent Company's auditors) | 0.2 | 0.2 |
| – Overseas | 0.1 | 0.1 |
| Depreciation of fixed assets: | | |
| Owned | 1.5 | 1.5 |
| Amounts paid in respect of operating leases for plant and machinery | 0.5 | 0.5 |
| Gains on foreign currency borrowings | 0.4 | 0.3 |

Audit services - overseas includes £nil (2006 : £3,000) payable to one member of the Parent Company's auditors' international network.

The Parent Company's auditors received fees for non audit services totalling £30,250 (2006 : £14,800), including £25,000 (2006 : £nil) in relation to the sale of the Leisure Division, £1,550 (2006 : £11,800) in relation to company secretarial legal services and £3,700 (2006 : £3,000) in respect of the audit of the Group's UK pension scheme.

| | for the year ended 31 March 2007 £'millions | for the year ended 31 March 2006 £'millions |
|---|--|---|
| 6 Employee Information | | |
| Staff Costs (including Directors) were: | | |
| Wages and salaries | 24.3 | 26.1 |
| Social security costs | 2.1 | 2.2 |
| Pension contributions | 0.9 | 0.7 |
| Share based payments | 0.1 | 0.5 |
| | 27.4 | 29.5 |
| Key management, consisting of the Main Board Directors and the Directors of the UK subsidiary companies, received the following compensation: | | |
| Wages and salaries | 4.0 | 3.7 |
| Compensation for loss of office | 0.2 | - |
| Pensions | 0.3 | 0.2 |
| Benefits | 0.3 | 0.3 |
| Share based payments | 0.1 | 0.3 |
| | 4.9 | 4.5 |
| | Number | Number |
| The average number of persons employed by the Group (including Directors) during the year was as follows: | | |
| Selling and administration | 345 | 378 |
| Warehousing, distribution and manufacturing | 477 | 534 |
| | 822 | 912 |

Details of Directors' emoluments in aggregate for each Director and share options are given in the Remuneration Report on pages 19 to 24.

| 7 Taxation | for the year ended 31 March 2007 £'millions | for the year ended 31 March 2006 £'millions |
|---|--|---|
| The tax credit comprises: | | |
| UK corporation tax on profits for the year at 30% (2006 : 30%) | – | (3.6) |
| Adjustments for previous periods | (8.7) | – |
| | (8.7) | (3.6) |
| Non-UK taxation | 1.1 | 0.9 |
| Total current taxation | (7.6) | (2.7) |
| Deferred tax: Origination and reversal of temporary timing differences | (1.8) | (0.5) |
| Total taxation credit in the income statement | (9.4) | (3.2) |
| Factors affecting taxation credit: | | |
| The taxation expense on the loss for the year differs from the amount computed by applying the corporation tax rate to the loss before taxation as a result of the following factors: | | |
| Loss on ordinary activities | (54.6) | (11.4) |
| Notional tax credit at UK rate of 30% (2006 : 30%) | (16.4) | (3.4) |
| Effects of: | | |
| Share of results of joint venture | 4.7 | 0.1 |
| Non allowable and non taxable items | 0.4 | (0.3) |
| Timing differences not recognised | – | 1.0 |
| Tax losses not recognised | 6.4 | – |
| Different tax rates on non-UK profits | 0.3 | (0.6) |
| Adjustments to tax charges for previous periods: | | |
| UK corporation tax | (4.8) | – |
| Total taxation credit | (9.4) | (3.2) |
| Tax on items charged to equity: | | |
| Tax charge on exchange movements offset in reserves: | | |
| Deferred tax relating to revaluation of property | 1.4 | – |
| Tax relating to hedging and translation movements | – | 1.9 |
| Total taxation on items taken directly to equity | 1.4 | 1.9 |

8 Non-current assets classified as held for resale

The profit for the period from discontinuing operations may be analysed as follows.

| | Notes | Year ended 31 March 2007 £'millions | Year ended 31 March 2006 £'millions |
|--------------------------------------|-------|--|--|
| Revenue | | 129.2 | 146.9 |
| Cost of sales | | (98.3) | (112.6) |
| Gross profit | | 30.9 | 34.3 |
| Net operating expenses | 3 | (20.3) | (20.9) |
| Profit before tax | | 10.6 | 13.4 |
| Tax | | (3.2) | (4.0) |
| Profit for the period | | 7.4 | 9.4 |
| Earnings per share (in pence) | 9 | | |
| Basic | | 14.6p | 18.6p |
| Diluted | | 14.6p | 18.3p |

Non-current assets classified as held for resale relate to the Group's Leisure Division, the sale of which was announced on 4 August 2007 and completed on 22 August 2007. These assets may be analysed as follows:

| | 31 March 2007 £'millions |
|--|--------------------------------|
| Non-current assets | |
| Goodwill | 1.2 |
| Property, plant and equipment | 0.5 |
| Total non-current assets | 1.7 |
| Current assets | |
| Inventories | 11.0 |
| Trade receivables and other receivables | 20.1 |
| Tax recoverable | 0.1 |
| Total current assets | 31.2 |
| Non-current assets classified as held for resale | 32.9 |
| Current liabilities | |
| Trade and other payables | 7.4 |
| Provisions | 2.2 |
| Total current liabilities | 9.6 |
| Liabilities directly associated with non-current assets classified as held for resale | 9.6 |
| Total net assets | 23.3 |

The net cash flow attributable to the operating, investing and financing activities of this operation were:

| | Year ended 31 March 2007 £'millions | Year ended 31 March 2006 £'millions |
|---|--|--|
| Cash flow from operating activities: | | |
| Operating Profit | 10.6 | 13.4 |
| Adjustment for: | | |
| Depreciation of property, plant & equipment | 0.2 | 0.2 |
| (Increase)/decrease in receivables | (20.0) | (16.7) |
| Decrease/(increase) in inventories | 5.8 | 6.7 |
| Increase/(decrease) in payables | 3.7 | (3.5) |
| Net cash from operating activities | 0.3 | 0.1 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment (net) | (0.3) | (0.1) |
| Net cash flow used in investing activities | (0.3) | (0.1) |
| Net increase/(decrease) in cash and cash equivalents | 0.0 | 0.0 |
| Cash and cash equivalents at beginning of period | 0.0 | 0.0 |
| Cash and cash equivalents at end of period | 0.0 | 0.0 |

9 Earnings per Ordinary Share

Earnings per share are based upon earnings of £(37.8m) (2006 : £1.2m) and 50,588,939 (2006 : 50,601,004) Ordinary Shares being the weighted average number of shares in issue excluding the shares held by the Alba plc ESOP Trust. Basic earnings per share on continuing activities are based upon earnings of £(45.2m) (2006 : £(8.2m)) and on discontinuing activities upon earnings of £7.4m (2006 : £9.4m).

Diluted earnings per share are based upon earnings of £(37.8m) (2006 : £1.2m) and 50,588,939 (2006 : 51,306,447) Ordinary Shares allowing for the exercise of dilutive outstanding share options exercisable at a price below the average value during the period and the shares held by the Alba plc ESOP Trust. Diluted earnings per share on continuing activities are based upon earnings of £(45.2m) (2006 : £(8.2m)) and on discontinuing activities upon earnings of £7.4m (2006 : £9.4m).

Potential Ordinary Shares of 666,654 have been excluded from the computation of diluted EPS as the shares are anti-dilutive.

| | for the year ended 31 March 2007 £'millions | for the year ended 31 March 2006 £'millions |
|---|---|---|
| 10 Dividends | | |
| Interim payable in respect of prior year 2.25p (2006 : 2.25p) | 1.1 | 1.1 |
| Final paid in respect of prior year 8.75p (2006 : 8.75p) | 4.5 | 4.5 |
| | 5.6 | 5.6 |

The Directors declared an interim dividend of 2.25p (2006: 2.25p) net per Ordinary Share payable on 24 April 2007 to shareholders on the register at 31 March 2007. There are no tax consequences for the company of making these distributions.

11 Goodwill

Goodwill represents the goodwill arising on acquisition of Pulse Home Products Limited ("Pulse"). 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 has previously been 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. As Pulse forms part of the Leisure Division it is included in non-current assets classified as held for resale and its carrying value is therefore included in note 8. The movement in the period may be reconciled as follows:

| | Group 31 March 2007 £'millions | Group 31 March 2006 £'millions |
|--|---|---|
| At 1 April 2006 | 1.2 | 1.2 |
| Transferred to non-current assets classified as held for resale | (1.2) | - |
| At 31 March 2007 | - | 1.2 |

| 12 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 2006 | 6.6 | 11.1 | 11.2 | 0.8 | 29.7 |
| Additions | - | 0.6 | 0.5 | - | 1.1 |
| Transfer to assets held for resale | - | (0.5) | (2.1) | - | (2.6) |
| Revaluation | 6.0 | 3.9 | - | - | 9.9 |
| At 31 March 2007 | 12.6 | 15.1 | 9.6 | 0.8 | 38.1 |
| Aggregate depreciation | | | | | |
| At 1 April 2006 | 0.9 | 1.9 | 8.0 | 0.7 | 11.5 |
| Amount provided | 0.3 | 0.3 | 0.9 | - | 1.5 |
| Transfer to assets held for resale | - | (0.4) | (1.7) | - | (2.1) |
| At 31 March 2007 | 1.2 | 1.8 | 7.2 | 0.7 | 10.9 |
| Net book value | | | | | |
| At 31 March 2007 | 11.4 | 13.3 | 2.4 | 0.1 | 27.2 |
| 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 |

The Freehold Property and Leasehold Land and Buildings (which comprise premises with unexpired terms of over 50 years) were valued by independent valuers between 4 December 2006 and 31 January 2007 on the basis of Market Value in accordance with the requirements of the Red Book as provided by the Royal Institution of Chartered Surveyors. Had the properties not been revalued, the carrying amount that would have been recognised at 31 March 2007 would have been:

| | £'millions |
|------------------------------|------------|
| Freehold Property | 5.4 |
| Leasehold Land and Buildings | 9.4 |

13 Investment in joint venture

| | Group 31 March 2007 £'millions | Group 31 March 2006 £'millions |
|---|---|---|
| The Group has a 50% interest in Grundig Multimedia BV ("Grundig") | | |
| At 1 April 2006 | 28.0 | 31.3 |
| Share of loss after taxation | (16.0) | (2.8) |
| Currency translation differences | - | (0.5) |
| At 31 March 2007 | 12.0 | 28.0 |

The Group's share of the trading of Grundig for the period ending 31 March 2007 and its share of the assets of Grundig as at 31 March 2007 may be summarised as follows:

| | | |
|---|---------|---------|
| Revenue | 119.8 | 148.5 |
| Less: 50% of Group sales to Grundig | (7.6) | (12.9) |
| Income | 112.2 | 135.6 |
| Expenses | (128.3) | (138.0) |
| (Loss)/profit before tax | (16.1) | (2.4) |
| Taxation | 0.1 | (0.4) |
| (Loss)/profit after taxation | (16.0) | (2.8) |
| Goodwill | 1.8 | 2.0 |
| Non current assets | 8.1 | 10.4 |
| Current assets | 40.6 | 65.2 |
| | 50.5 | 77.6 |
| Creditors: amounts falling due within one year | (36.3) | (47.3) |
| Creditors: amounts falling due after more than one year | (2.2) | (2.3) |
| Total net assets | 12.0 | 28.0 |

The Group's turnover for the year includes £15.2 million (2006 : £25.8 million) of sales to Grundig and at 31 March 2007, Grundig owed the Group £5.9 million (2006: £7.7 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.

14 Investments

Investments in Subsidiaries:

| | Company 31 March 2007 £'millions | Company 31 March 2006 £'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.

| 15 Inventories | Group 31 March 2007 £'millions | Group 31 March 2006 £'millions |
|-----------------------|---|---|
| Goods for resale | 40.8 | 87.8 |
| Stock in transit | 2.4 | 4.6 |
| | 43.2 | 92.4 |

The cost of inventories recognised as an expense and included in the income statement in cost of sales amounted to £334.3 million (2006: £402.9 million). In 2007 £4.8 million (2006: £4.4 million) of inventory provisions were charged in the income statement. The cost of stocks include interest of £0.2 million (2006 : £0.4 million). Approximately, £40 million of this stock is pledged as security against the specific bank import advance.

| 16 Trade receivables and other receivables | Group 31 March 2007 £'millions | Group 31 March 2006 £'millions | Company 31 March 2007 £'millions | Company 31 March 2006 £'millions |
|---|---|---|---|---|
| Trade debtors | 40.1 | 73.7 | - | - |
| Amounts owed by subsidiaries | - | - | 34.5 | 34.5 |
| Other debtors | 2.3 | 3.4 | 0.8 | - |
| Value Added Tax | - | 0.7 | - | - |
| Prepayments and accrued income | 4.7 | 5.3 | - | - |
| | 47.1 | 83.1 | 35.3 | 34.5 |

| 17 Financial risk management and financial instruments | Group 31 March 2007 £'millions | Group 31 March 2006 £'millions |
|---|---|---|
| Financial assets - derivative financial instruments | - | 2.0 |
| Financial liabilities - derivative financial instruments | 2.8 | - |

At the year end forward foreign exchange contracts with a fair value of £2.8 million loss were designated as cash flow hedges and as such the loss did not go through the income statement. As at 31 March 2006 forward foreign exchange contracts with a fair value of £2.0 million gain went through the income statement as these were not designated as hedging instruments.

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

Current:

| | | |
|--------------------------------------|-------------|------|
| Bank overdrafts | 12.7 | 11.0 |
| Bank import advances | 40.2 | 38.3 |
| Bank loans repayable within one year | - | 10.0 |
| | 52.9 | 59.3 |

Non current:

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

Notes:

1. The bank import advances are specifically secured on the related imported merchandise.
2. Alba plc guarantees the borrowings of its subsidiaries.

| Bank loans | 2007 £'millions | 2006 £'millions |
|-------------------|----------------------------|--------------------|
| Current | - | 10.0 |
| Non current | - | 14.7 |
| | - | 24.7 |

| Loan repayment dates, interest rates and principal terms | Notes | Maturity | Interest rate | 2007 £'millions | 2006 £'millions |
|---|-------|----------|---------------|----------------------------|--------------------|
| Committed bank loans | | | | | |
| EUR 25.0 million bank loan | 1,2,3 | May-07 | LIBOR + 1.25% | - | 13.9 |
| EUR 20.0 million bank loan | 1,2,3 | May-09 | LIBOR + 1.25% | - | 10.8 |
| | | | | - | 24.7 |

Notes:

- Interest payment and capital repayments are made on a half yearly basis. The schedule for repayment of the principal amounts is outlined above.
- There is no fair value interest rate risk prior to maturity.
- 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 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.

Fair value of financial assets and liabilities

Derivative financial instruments are recognised at fair value in the balance sheet.

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 2006.

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 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 a part 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 realised until the exposure that is being hedged is itself recognised. The fair value of gains and losses on instruments used for hedging at 31 March 2007 amount to a loss of £2.8 million (2006 : £2.0 million gain). In 2007 the fair value of the loss has been recognised directly in equity at the year end (2006 : gain recognised in the income statement).

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 unrealised gain or loss on instruments used for hedging at the balance sheet date will be recognised in the income statement 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 2007, excluding short term debtors and creditors were:

| Currency | 31 March 2007 £'millions | 31 March 2006 £'millions |
|-----------|--------------------------------|--------------------------------|
| Sterling | 36.6 | 23.0 |
| US Dollar | 11.3 | 23.2 |
| HK Dollar | 0.1 | 0.6 |
| Euro | 4.4 | 24.5 |
| | 52.4 | 71.3 |

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 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 2007 the exposures were as follows:-

| Functional currency of Group operation | Net foreign currency monetary assets/(liabilities) in £' millions | | | | | | | | | |
|--|---|------|-------|-------|------|--------|------|-------|-------|--------|
| | £ | | US\$ | | Euro | | CHF | | TOTAL | |
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| HK\$ | 0.2 | 0.3 | (1.3) | 2.5 | - | - | - | - | (1.1) | 2.8 |
| US\$ | - | - | - | - | 1.9 | 1.1 | 0.1 | (0.2) | 2.0 | 0.9 |
| £ | - | - | - | (0.1) | 0.8 | (24.1) | - | - | 0.8 | (24.2) |
| | 0.2 | 0.3 | (1.3) | 2.4 | 2.7 | (23.0) | 0.1 | (0.2) | 1.7 | (20.5) |

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 March 2007 was as follows:-

| | 31 March 2007 £' millions | 31 March 2006 £' millions |
|---|------------------------------|------------------------------|
| In one year or less, or on demand | 52.9 | 59.3 |
| In more than one year but less than two years | - | 10.0 |
| In more than two years but less than three years | - | 3.0 |
| In more than three years but less than four years | - | 1.7 |
| In more than four years but less than five years | - | - |
| | 52.9 | 74.0 |
| Less: amounts due for settlement within one year | (52.9) | (59.3) |
| Non-current liabilities | - | 14.7 |

Borrowing facilities

As at 31 March 2007 the Group had undrawn borrowings and trade finance related facilities of approximately £68 million, all of which is renewable within one year.

| | Group 31 March 2007 £'millions | Group 31 March 2006 £'millions | Company 31 March 2007 £'millions | Company 31 March 2006 £'millions |
|------------------------------------|---|---|---|---|
| 18 Trade and other payables | | | | |
| Trade creditors | 25.8 | 30.2 | - | - |
| Amounts owed to subsidiaries | - | - | 21.0 | 14.1 |
| Other creditors | 3.1 | 5.2 | - | - |
| Other taxation and social security | 0.4 | 0.5 | - | - |
| Accruals | 1.0 | 5.6 | - | - |
| Value added tax | 1.3 | - | - | - |
| | 31.6 | 41.5 | 21.0 | 14.1 |

| | Group 31 March 2007 £'millions | Group 31 March 2006 £'millions |
|---|---|---|
| 19 Provisions | | |
| Warranty provision: | | |
| Balance at 1 April 2006 | 5.8 | 6.2 |
| Charged to the Income statement | 28.2 | 30.8 |
| Utilised in year | (27.4) | (31.2) |
| Transfer to liabilities directly associated with non-current assets classified as held for resale | (2.2) | - |
| Balance at 31 March 2007 | 4.4 | 5.8 |

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.

| | Excess capital allowances £'millions | Property revaluation £'millions | Other £'millions | Losses £'millions | Total £'millions |
|-------------------------------------|---|---------------------------------------|---------------------|----------------------|---------------------|
| 20 Deferred Taxation | | | | | |
| At 1 April 2006 | 2.1 | - | (0.2) | (0.5) | 1.4 |
| Charge/(credit) to income statement | (2.3) | - | - | 0.5 | (1.8) |
| Charge/(credit) to equity | - | 1.4 | - | - | 1.4 |
| At 31 March 2007 | (0.2) | 1.4 | (0.2) | - | 1.0 |
| Deferred tax (asset) | (0.2) | - | (0.2) | - | (0.4) |
| Deferred tax liability | - | 1.4 | - | - | 1.4 |
| At 31 March 2007 | (0.2) | 1.4 | (0.2) | - | 1.0 |

At 31 March 2007 the Group had operating losses and other temporary timing differences carried forward in respect of which no deferred tax assets were recognised amounting to £38.9 million (2006 : £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:

| | 2007 £'millions | Expiration dates |
|--------------|--------------------|---------------------|
| Losses: | | |
| UK | 23.3 | No expiry |
| Europe | 15.6 | 2009-2014 |
| Total | 38.9 | |

At the balance sheet date, the undistributed earnings of overseas subsidiaries capable of making a dividend was £26.2 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.

| | Group and Company 31 March 2007 £'millions | Group and Company 31 March 2006 £'millions |
|---|---|--|
| 21 Called up Share Capital | | |
| Authorised: | | |
| 60,000,000 Ordinary Shares of 10p each (2006 : 60,000,000 Ordinary Shares of 10p each) | 6.0 | 6.0 |
| Allotted, called up and fully paid: | | |
| At 1 April 2006 (51,255,379 Ordinary Shares of 10p each) | 5.1 | 5.1 |
| Options exercised (1,306 Ordinary Shares of 10p each) | - | - |
| At 31 March 2007 (51,256,685 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. The scheme was renewed in 2006.

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. The exercise of options 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 1,306 Ordinary Shares of 10p each were issued for £3,239 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 2007 were as follows:

| No of shares | Option price | Exercisable between | No of shares | Option price | Exercisable between |
|--------------|--------------|-------------------------|--------------|--------------|----------------------|
| 38,258 | 772.5p | 20/7/2003 - 19/7/2010 | 26,165 | 248p | 1/9/2008 - 28/2/2009 |
| 11,742 | 772.5p | 20/7/2003 - 19/7/2007 | 32,010 | 350p | 1/2/2008 - 31/7/2008 |
| 43,003 | 305p | 25/6/2004 - 24/6/2011 | 36,791 | 350p | 1/2/2010 - 31/7/2010 |
| 36,560 | 305p | 25/6/2004 - 24/6/2008 | 7,311 | 636p | 1/9/2007 - 29/2/2008 |
| 129,790 | 437.5p | 16/12/2005 - 15/12/2012 | 7,039 | 636p | 1/9/2009 - 28/2/2010 |
| 111,210 | 437.5p | 16/12/2005 - 15/12/2009 | 3,872 | 636p | 1/9/2011 - 29/2/2012 |
| 132,404 | 752.5p | 14/7/2007 - 13/7/2014 | 55,112 | 313.2p | 1/9/2008 - 28/2/2009 |
| 167,596 | 752.5p | 14/7/2007 - 13/7/2011 | 52,014 | 313.2p | 1/9/2010 - 28/2/2011 |
| 70,887 | 373p | 1/7/2008 - 30/6/2015 | 9,083 | 313.2p | 1/9/2012 - 28/2/2013 |
| 361,613 | 373p | 1/7/2008 - 30/6/2012 | | | |

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:-

| | 2007 Number of share options | 2007 Weighted average exercise price £ | 2006 Number of share options | 2006 Weighted average exercise price £ | 2005 Number of share options | 2005 Weighted average exercise price £ |
|--|---------------------------------------|---|---------------------------------------|---|---------------------------------------|---|
| Outstanding at the beginning of the year | 1,714,453 | 4.50 | 1,361,723 | 4.85 | 1,386,720 | 3.39 |
| Granted during the year | – | – | 700,916 | 3.55 | 448,654 | 7.26 |
| Exercised during the year | (1,306) | 2.48 | (158,225) | 2.79 | (442,676) | 2.67 |
| Lapsed during the year | (380,687) | 3.58 | (189,961) | 4.99 | (30,975) | 5.61 |
| Outstanding at the end of the year | 1,332,460 | 4.76 | 1,714,453 | 4.50 | 1,361,723 | 4.85 |
| Options exercisable at the end of the year | 129,563 | 4.85 | 155,272 | 4.77 | 277,732 | 3.85 |

The weighted average share price at the date of exercise for share options exercised during the year was £2.48 (2006: £4.25; 2005: £7.58)

Notes to the Accounts

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

| Range of exercise prices £ | 2007 Number of share options | 2007 Weighted average contractual life Years | 2006 Number of share options | 2006 Weighted average contractual life Years | 2005 Number of share options | 2005 Weighted average contractual life Years |
|----------------------------|---------------------------------------|---|---------------------------------------|---|---------------------------------------|---|
| 0 to 5 | 964,238 | 4.59 | 1,298,437 | 5.05 | 857,846 | 3.95 |
| 5 to 10 | 368,222 | 5.05 | 416,016 | 5.93 | 503,877 | 6.57 |

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

| | for the year ended 31 March 2007 £'millions | for the year ended 31 March 2006 £'millions |
|---|---|---|
| Charge to income statement (all equity settled) | 0.1 | 0.5 |

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

| Date of grant | 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 at date of grant | 435 | 435 | 747.5 | 747.5 | 377.5 | 377.5 |
| Exercise price (p) | 437.5 | 437.5 | 752.5 | 752.5 | 373 | 373 |
| Expected volatility | 36% | 36% | 36% | 36% | 36% | 36% |
| Expected life (years) | 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

| Date of grant | 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 at date of grant | 429 | 429 | 429 | 760 | 760 | 760 | 390.5 | 390.5 | 390.5 |
| Exercise price (p) | 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% |

LTIP's

| Date of grant | 01/07/2004 | 01/07/2005 | 01/07/2006 |
|-------------------------------|------------|------------|------------|
| Number of shares under option | 60,017 | 183,407 | 359,984 |
| Fair value (p) | 6.87 | 3.26 | 1.79 |
| Share price at date of grant | 795 | 377.5 | 207 |
| Exercise price (p) | 0 | 0 | 0 |
| Expected volatility | 36% | 36% | 36% |
| Expected life (years) | 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.

| | Share premium account £'millions | Capital reserve £'millions | Investment in own shares £'millions | Translation reserve £'millions | Revaluation reserve £'millions | Hedging reserve £'millions | Other reserves £'millions | Retained earnings £'millions |
|--|-------------------------------------|-------------------------------|--|-----------------------------------|-----------------------------------|-------------------------------|------------------------------|---------------------------------|
| 22 Reserves | | | | | | | | |
| Group: | | | | | | | | |
| At 1 April 2006 | 18.6 | – | (2.6) | 1.7 | – | (3.3) | 1.6 | 81.1 |
| Exchange differences on translation of overseas operations | – | – | – | (8.3) | – | – | – | – |
| Currency translation difference on net investment hedges | – | – | – | – | – | 5.2 | – | – |
| Losses relating to designated hedges | – | – | – | – | – | (2.8) | – | – |
| Loss on sale of treasury shares | – | – | 0.3 | – | – | – | – | (0.3) |
| Retained profit for the year | – | – | – | – | – | – | – | (37.8) |
| Property revaluation | – | – | – | – | 9.9 | – | – | – |
| Dividends paid | – | – | – | – | – | – | – | (5.6) |
| Equity settled transactions | – | – | – | – | – | – | 0.1 | – |
| Taxation on items taken directly to reserves | – | – | – | – | (1.4) | – | – | – |
| At 31 March 2007 | 18.6 | – | (2.3) | (6.6) | 8.5 | (0.9) | 1.7 | 37.4 |
| Company: | | | | | | | | |
| At 1 April 2006 | 18.6 | 2.7 | (2.6) | – | – | – | 1.6 | 20.0 |
| Loss on sale of treasury shares | – | – | 0.3 | – | – | – | – | (0.3) |
| Retained loss for the year | – | – | – | – | – | – | – | (0.6) |
| Premium on options exercised | – | – | – | – | – | – | – | – |
| Dividends paid | – | – | – | – | – | – | – | (5.6) |
| Equity settled transactions | – | – | – | – | – | – | 0.1 | – |
| At 31 March 2007 | 18.6 | 2.7 | (2.3) | – | – | – | 1.7 | 13.5 |

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 £0.6m (2006 : £0.8m loss) 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.

Investment in Own Shares

678,112 Ordinary Shares of 10p each, which represent 1.32% of the issued ordinary share capital of the Company, are held by the Alba plc ESOP Trust which has waived its right to receive dividends. Of these, 603,410 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 21, other

executives were awarded a total of 12,654 shares on 1 July 2004, 45,454 shares on 1 July 2005 and 82,781 shares on 1 July 2006. During the year, 7,533 shares awarded on 1 July 2004, 24,421 shares awarded on 1 July 2005 and 42,748 shares awarded on 1 July 2006 lapsed following termination of employment of certain of the other executives. These shares were retained by Alba plc ESOP Trust.

Details of Treasury Shares sold during the year is given in the Remuneration Report on pages 19 to 24.

During the year ended the 31 March 2007, in addition to the awards to Directors that lapsed as detailed on page 21, awards to other executives over 18,212 shares also lapsed. These shares were retained by the Alba plc ESOP Trust.

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.

Revaluation reserve

The revaluation reserve is used to record the excess of the valuation of properties as compared to their book value. Any subsequent surplus/deficit arising from movements in valuation will be credited/debited to this reserve.

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.

Other reserves

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

| 23 Reconciliation of Movements in Consolidated Equity | Group year ended 31 March 2007 | Group year ended 31 March 2006 | Company year ended 31 March 2007 | Company year ended 31 March 2006 |
|--|---|---|---|---|
| | £'millions | £'millions | £'millions | £'millions |
| Total recognised (expense)/income for the period | (35.2) | 1.5 | (0.6) | (0.8) |
| Dividends on equity shares | (5.6) | (5.6) | (5.6) | (5.6) |
| New share capital subscribed | – | 0.4 | – | 0.4 |
| Purchase of own shares | – | (1.6) | – | (1.6) |
| Share based payments | 0.1 | 0.5 | 0.1 | 0.5 |
| Net decrease in equity | (40.7) | (4.8) | (6.1) | (7.1) |
| Opening equity | 102.2 | 107.0 | 45.4 | 52.5 |
| Closing equity | 61.5 | 102.2 | 39.3 | 45.4 |

24 Note to the consolidated cash flow statement

| Cash flow from operating activities: | Note | Group year ended 31 March 2007 | Group year ended 31 March 2006 |
|--|-------------|---|---|
| | | £'millions | £'millions |
| Operating loss from continuing operations | | (38.1) | (7.8) |
| Adjustment for: | | | |
| Depreciation of property, plant & equipment | | 1.5 | 1.5 |
| Operating profit from discontinuing operations | 8 | 10.6 | 13.4 |
| IFRS 2 share option charge | | 0.1 | 0.5 |
| Decrease in receivables | | 14.6 | 16.8 |
| Decrease in inventories | | 37.2 | 22.5 |
| Decrease in payables | | (1.9) | (11.9) |
| Cash flow from operating activities | | 24.0 | 35.0 |
| Net Debt | | | |
| Cash and cash equivalents | | (12.2) | (8.3) |
| Bank loans | | – | (24.7) |
| Bank import advances | | (40.2) | (38.3) |
| | | (52.4) | (71.3) |

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

| 25 Analysis of net borrowings and reconciliation of cash flow to movement in net borrowings | Group year ended 31 March 2007 £'millions | Group year ended 31 March 2006 £'millions |
|--|--|---|
| Cash | 0.5 | 2.7 |
| Bank Overdrafts | (12.7) | (11.0) |
| Cash and cash equivalents | (12.2) | (8.3) |
| Bank loans due within one year | - | (10.0) |
| Bank loans due after one year | - | (14.7) |
| Bank import advances due within one year | (40.2) | (38.3) |
| Net borrowings at end of period | (52.4) | (71.3) |
| Reconciliation of net cash flow to movement in net borrowings | | |
| Decrease/(increase) in cash and cash equivalents | (5.3) | 24.3 |
| Cash outflow/(inflow) from movement in net borrowings | 22.8 | (0.4) |
| Translation difference | 1.4 | (1.6) |
| Decrease in net borrowings | 18.9 | 22.3 |
| Net borrowings at beginning of the period | (71.3) | (93.6) |
| Net borrowings at end of the period | (52.4) | (71.3) |

26 Guarantees and other financial commitments

- (a) No capital commitments had been authorised or contracted for but not provided in the accounts by the Group or the Company. (2006 : £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 2007 was £469,000 (2006 : £459,000) of which £nil (2006 : £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 2008 is £366,000 of which £87,000 relates to leases terminable in the year.
- (c) The Company has guaranteed the borrowings of its subsidiary companies which total £52.9m (2006 : £74.0m).
- (d) Information on the Group's financial instruments is given in Note 17 on pages 51 to 54.

27 Related party disclosure

i) The key management personnel of the Company comprise members of the Alba plc Board of Directors. The Directors do not receive any remuneration from the Company (2006 : £nil) as their emoluments are borne by subsidiaries. It is impracticable to isolate the cost of service to the Company from the cost of service to the other members of the Group. The Company did not have any transactions with the Directors during the financial year (2006 : £nil).

ii) The details of amounts owed from/to subsidiaries at the year end are given in notes 16 and 18 respectively. Movements in these balances during the year were as follows:

| | Year ended 31 March 2007 £'millions | Year ended 31 March 2006 £'millions |
|--|--|--|
| Amounts received from subsidiaries in the year | 6.9 | 7.1 |

Interest on these amounts are charged at 1% above the base rate.

iii) During the year, the Company paid a management fee to Roadstar Management SA of £246,000 (2006 : £292,000) in respect of the management of its Mainland European operations. No such fees were outstanding at the year end (2006 : £nil).

iv) Information regarding related party transactions with Grundig are given in Note 13.

v) Alba plc guarantees the borrowings of its subsidiaries.

We have audited the Group and Parent Company financial statements (the "financial statements") of Alba plc for the year ended 31st March 2007 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statements, the Consolidated Statement of Recognised Income and Expense 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 International Financial Reporting Standards (IFRSs) as adopted by 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 whether in our opinion the information in the Directors'

Report is consistent with the Financial Statements. In addition we report to you if, in our opinion, 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 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. In forming 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.

Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31st March 2007 and of its loss for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by

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 2007;

- 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, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information given in the Directors' Report is consistent with the financial statements.

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31 August 2007