



# Annual Report & Accounts 2008



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## Directors

Bridget Penelope Blow (Non-Executive Chairman)  
 Daniel Bruce Harris (Chief Executive Officer)  
 Andrew David Rose ACA (Group Finance Director)  
 Paul John Cannon (Executive Director)  
 Michael Ashley (Executive Director)  
 Paul Edward Selway-Swift (Senior Independent Non-Executive Director)  
 Anthony Patrick Shearer FCA (Non-Executive Director)

## Secretary

John Edwin Malin FCA

## Registered Office

Bush House  
 The Waterfront  
 Elstree Road  
 Elstree  
 Hertfordshire WD6 3BS

## Stockbrokers & Financial Advisers

Investec Bank (UK) Limited  
 2 Gresham Street  
 London EC2V 7QP

## Solicitors

Hammonds LLP  
 7 Devonshire Square  
 Cutlers Gardens  
 London EC2M 4YH

## Auditors

UHY Hacker Young LLP  
 Chartered Accountants  
 Quadrant House  
 17 Thomas More Street  
 Thomas More Square  
 London E1W 1YW

## Registrars & Transfer Office

Capita Registrars  
 Northern House  
 Woodsome Park  
 Fenay Bridge  
 Huddersfield  
 West Yorkshire HD8 0LA

## Public Relations Advisers

College Hill Associates Limited  
 The Registry  
 Royal Mint Court  
 London EC3N 4QN

## Five year record

|  | <b>31<br/>March<br/>2008</b> | 31<br>March<br>2007 | 31<br>March<br>2006 | 31<br>March<br>2005 | 31<br>March<br>2004 |
|--|------------------------------|---------------------|---------------------|---------------------|---------------------|
| Turnover – Group and share of joint venture (£' millions)      | <b>115.9</b>                 | 111.9               | 714.2               | 763.5               | 617.7               |
| – Less: share of joint venture (£' millions)                   | <b>–</b>                     | –                   | (135.6)             | (98.9)              | –                   |
| – Group (£' millions)  | <b>115.9</b>                 | 111.9               | 578.6               | 664.6               | 617.7               |
| (Loss)/Profit before tax – Continuing operations (£' millions) | <b>(9.2)</b>                 | (22.3)              | (11.4)              | 21.6                | 31.1                |
| – Discontinued operations (£' millions)                        | <b>26.5</b>                  | (21.7)              | 13.4                | –                   | –                   |
| – Total (£' millions)  | <b>17.3</b>                  | (44.0)              | 2.0                 | 21.6                | 31.1                |
| EPS (p)  | <b>33.1</b>                  | (74.7)              | 2.4                 | 32.4                | 47.8                |

Note:

1. Results for the year ended 31 March 2004 have not been restated to reflect the transition to IFRS.
2. Results of the Leisure Division are treated as discontinued operations in 2006, 2007 and 2008 only.
3. Results of Roadstar, the Grundig JV and the discontinued UK consumer electronics businesses are treated as discontinued operations in 2007 and 2008 only.

## Financial Results

These results for the year to 31 March 2008 reflect the very challenging trading conditions we highlighted in previous updates. Sales for the year on continuing operations rose from £111.9 million last year to £115.9 million this year whilst our loss before taxation on continuing operations was £9.2 million (2007 : loss of £22.3 million), reflecting the difficult trading conditions, our changes in strategy and the costs of restructuring. Gross profit margins on continuing operations increased to 8.4% (2007 : Gross loss of 2.7%).

Despite the loss this year we remain committed to delivering the benefits of the three year plan which was referred to in this statement last year and runs until March 2010. This plan, developed following an extensive review of the Group's businesses, includes the intention to withdraw from sales of products that do not have sustainable operating margins of between 6% and 7%.

The past year has seen considerable progress in Alba's transformation from a broadly-based distributor of consumer electrical goods into a UK-focused supplier of products in a number of niche areas, which we have identified as having the potential to deliver a satisfactory level of profitability.

Our aim in consumer electronics is not to be a supplier of products, such as large screen LCD televisions, which have become commoditised but rather to differentiate our product ranges from the global brands by focusing on UK orientated products and opportunities, such as the recent Freesat launch, where we are one of only two launch suppliers of the digital set-top boxes, which we believe offer attractive sales and margin potential.

As reported in the Trading Update on 1 April 2008, during the year ended 31 March 2008 we completed the sale of the Leisure Division in September 2007; disposed of our Roadstar European operation in January 2008; completed the sale of our 50% interest in Grundig in March 2008 and we let our Cortonwood logistics centre in a deal which transfers our staff there to the new tenant, UPS. We are actively reviewing other opportunities to release value from our remaining property assets.

As a result of these changes Alba has become a holding company, with a range of different income streams – comprising rental income from surplus property, the expanding sales of our medical electrical devices business and our restructured and refocused consumer electronics business. We believe that this new structure leaves us well placed to move quickly to take advantage when market conditions permit to generate value for shareholders.

## Shareholders' funds and net debt

Shareholders' funds at the year end were £75.4 million (2007 : £61.5 million). Principally as a result of the sale of the Leisure Division and our share of Grundig but also due to reduction in working capital requirements, the Board is pleased that the Group had net cash of £25.4 million at 31 March 2008 as against net debt of £52.4 million last year, a turnaround of £77.8 million and a very satisfactory position given today's difficult banking environment.

## Dividend

Given the continuing difficult trading and banking environment, the Board has decided not to declare a final dividend. As previously stated, the Board will continue to keep this position under review.

## Business Review

The past year has presented us with many challenges as we have adapted to a new and leaner operating structure in our Consumer Electronics business, rationalised our product portfolio to focus only on those where we can achieve acceptable margins, continued the growth of our Medical Electrical Devices business and begun to realise the substantial value that lies within our freehold property portfolio.

A great deal has been achieved during 2007 to complete the transformation of our Consumer Electronics business; our aim now is not sales growth, but the delivery of value through our brands and enabling retailers to command a premium through the supply of value added, differentiated products, attracting consumers with a desirable product portfolio. Options are under consideration to realise value from certain of the Group's brands.

We continue to achieve progress with the development of our medical electrical devices business. There is a significant and growing market for home-use diagnostic testing devices to monitor for heart conditions, cholesterol levels and body fat levels. We are also looking at other medical and diagnostic products.

### Discontinued activities

As previously announced, the Group completed the disposal of its 50% interest in Grundig, first announced on 18 December 2007, for an initial cash consideration of €35 million (£25.0 million). We are retaining the UK licence to the Grundig name for consumer electronics for the next three years, with deferred consideration payable based upon turnover for that period capped at €8.0 million (£6.4 million).

After this period, all rights to the Grundig name in the UK will revert to Grundig, with Alba continuing to earn deferred consideration (uncapped) on Grundig branded consumer electronics sales in the UK during the two following years. Alba will also retain a five-year licence to the Grundig name in Australasia.

Following the sale of the Leisure Division, in September to Rutland Partners for £51.5 million (including £4.2 million that was deferred) the Group's agreed to supply ongoing logistical support to the divested Division which has now ceased. All of the deferred consideration has been received, although £1.2 million was received after 31 March 2008.

Finally, the Group disposed of its Roadstar European operation and has ceased trading in several of its UK Consumer Electronics businesses including Roadstar UK, the telecoms division and the general sale of "lead in" Consumer Electronics.

### Contingent Liability

Certain members of the MPEG2 Consortium have instigated legal proceedings against Alba plc in relation to alleged patent infringements in respect of MPEG 2

enabled products. Alba has a number of defences to this action and intends to fight these allegations vigorously. Accordingly, no provision has been made in these accounts.

### People

As this is my first Statement since taking over as Chairman in October, I would like to thank my predecessor, John Harris, founder of the Group 45 years ago and an inspiration to all those who worked with him. I am also pleased to welcome Michael Ashley and Anthony Shearer to the Board. Finally, I would like to thank all of the employees for their willingness to embrace the huge changes that have taken place at Alba over the past two years.

### Special Business

Details of the Special Business which is to be proposed at the 2008 Annual General Meeting and the Notice of Meeting are included in a separate letter and Notice which accompany this Annual Report.

### Current trading and outlook

Trading since the start of our new financial year has remained challenging. Returning the Group's ongoing businesses to an acceptable level of profitability in the current economic climate will not be easy. Nevertheless, we are fully committed to the successful implementation of our restructuring plan and remain confident that shareholders will see the benefits of the far reaching changes we have made to the way we run our business over the coming years.

**BRIDGET BLOW**

**Chairman**

28 July 2008

## 2008 Business Review

Alba plc has significantly changed over the last year. We remain a leading distributor of consumer electronics but now have a focused, segmented value added brand strategy following a significant shift from a fixed to variable cost model.

The year under review has been very demanding and market conditions are likely to remain challenging. In addition to the pressures that arose within the UK economy, the official switchover from analogue to digital in the UK commenced. The Retail landscape in the market for consumer electronics changed as mass merchandise stores evolved their offers and demand for new digital products gathered pace.

Responding to these major market movements and trends in consumer preferences, Alba has pursued a Group-wide re-organisation which, in addition to producing business efficiencies and cost economies across the board, is also seeking to deliver full sector viability for its Consumer Electronics ("CE") business.

Here, the opportunities for and drive towards better performing new products has demanded a fundamental shift in the rigour, agility and speed of the business, demands that the Group has been quick to embrace throughout. At the same time, changes within the Group's support services have ensured these are suitably and economically structured, equipped and closely matched to the service needs of the commercial operations.

Re-organisation has resulted in the centralisation of all essential functions and, in common with industry trends, business outsourcing has been introduced where this has shown to offer further cost and service improvement advantages. At the same time, product ranges have been rationalised where the projected future business potential has not met the stricter assessment criteria for success that is now firmly in place. 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 CE brands. This simplified structure has brought numerous benefits to Alba.

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

During the year the Group disposed of its 50% stake in Grundig to its joint venture partner whilst retaining the UK licence to the Grundig name for consumer electronics for the next three years. Further commercial benefits on Grundig branded consumer electronics sales in the UK will continue over the two following years. Alba also retains a five-year licence to the Grundig name in Australasia.

Group policy gives priority to the strategic employment of major brands to cover both product and retail sectors, 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 strives to ensure that it is well placed to offer the right products to its markets at the right time and at the right price.

Moreover, we seek to offer products that are carefully differentiated from those at entry price point levels, that are increasingly the subject of direct import by retailers themselves, and that offer clear points of difference through popular user features and benefits. 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.

Using its core knowledge and retail platform strengths, Alba is also expanding its existing medical electrical devices business. Interest in personal wellbeing and home diagnostics has never been greater which, coupled with the technology that is now available for the production of reliable and affordable, home-use testing devices, presents a potentially valuable market. With demand led by the US, Alba is actively seeking the approvals required for this marketplace whilst continuing with the OEM volume supply of similar products to the UK

Related to these products and another niche with significant commercial potential is an over-the-counter hearing aid range. Again, technology has been brought to bear to produce a range of aids that is confidently expected to satisfy the needs of around 80% of people with impaired hearing. This market is set to undergo significant change with the planned abolition of The Hearing Aid Council and the regulating of private audiology under the Health Professions Council. With the expected greater market flexibility, access will be through pharmacies with consumers undertaking a series of hearing tests before having the option to purchase a hearing aid at a price forecasted to be considerable less than is currently available.

Alba's existing business and its entry into these new areas emphasises Group strategy which is to develop and position itself as a key supplier to the most important retailers in its fields. 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 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 stock control handling systems closely matched to the business and changes in the markets, ensuring the most cost effective and efficient support to customers at all levels.

Within the United Kingdom our strategy enables us to count most major retailers as customers.

## UK Consumer Electronics

Alba's UK Consumer Electronics (CE) Division incorporates such established and well known brands as Alba, Bush, Goodmans and Grundig and, under licence, Ministry of Sound Audio, which is primarily aimed at the youth market.

The transformation of this Division was completed during the year. These changes were made to ensure the Group is well placed and capable of maximising opportunities in the consumer "hungry" UK CE market, which continues to be 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:

- Selection of value added, differentiated products.
- 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 and volume to products above entry price points that retailers could achieve by importing direct.
- The development and rapid movement of new technology products from the hands of early adopters and into the mass market areas through product expertise and wider distribution channels.

CE product distribution includes the key high street retailers, major supermarkets, wholesalers, online retailers, mail order and wholesale. The CE Division continues to serve customers with speed, whilst being 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 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 LCD TV sector dominates the Vision market and the established trend of migration from CRT to Flat Panel TV is set to continue. Volume increases will be greatest in

large screen sizes, 32" and above, but as retail prices and margins continue to fall Alba has chosen to avoid this 'commodity' market. With Digital Switchover now underway, the Digital Television Recorder and the video downloading sectors are accelerating as more products with 'easy to use' software and user interfaces become available. Freeview's figures show there are still around 28+ million VCRs in use in the UK that will be targets for replacement as the UK regional programme of Digital Switchover continues.

Over the past two years, Alba has been working closely with Freesat JV (a not-for-profit organisation created by BBC and ITV) on the development of Digital Boxes for consumers to receive the new FREE satellite service that launched subsequent to the year end. Alba is currently the exclusive supplier of standard definition Digital Boxes and one of only two suppliers of high definition Digital Boxes.

As the UK TV market is becoming dominated by high definition products, Freesat uniquely offers UK consumers the opportunity to receive programmes in this new format free-of-charge. Here Alba recognises that high definition programmes via an aerial are still some way off and that the technologies most likely to be adopted for their delivery will necessitate yet another transformation of the UK TV market. Other significant advantages of Freesat is that it already covers the whole of the UK with its 80+ TV and radio channels, (200+ by end 2008), unlike the terrestrial signal that even when switched completely to digital in 2012/13 will leave pockets of the country, and therefore viewers, without a TV signal.

Regarding the UK digital switchover itself, Alba has also been collaborating with Digital Switchover Limited, the body appointed to oversee the targeted help scheme. Alba has been appointed by EAGA, the successful bidder to administer the scheme in the field, as one of two suppliers of Set Top Boxes for those entitled to receive help under this scheme. The Set Top Box to be supplied is based upon an Alba model that has proved to be a best seller in the UK, and this will incorporate a number of new technical features, such as Audio Description, to meet the additional requirements specified by the Government to assist those viewers with impairments.

### 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.

## 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's continued reorganisation, which has resulted in further headcount reductions.

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 both economic and business efficiency reasons, further responsibilities have been moved from Hong Kong into Mainland China.

### Harvard Maritime Limited

Harvard Maritime Ltd provides Group brands, and 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.

Whilst its major markets are the UK and the rest of the EU, it has many other customers around the World. Harvard Maritime Ltd has also successfully developed its own product areas including a robust OEM medical electrical devices business, which is operated under 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.

## Financial Review

The Group's capital structure may be split between Debt Finance (£nil) and Shareholders' Funds (£75.4 million). The cash inflow from operating activities is as a result of the reduction in working capital requirements in line with the reduction in turnover.

An analysis of taxation is set out in Note 7 to the accounts. The taxation charge/(credit) as a percentage of loss before taxation was 5% 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 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 53 to 55.

In order to control the business, senior management use a number of Key Performance Indicators. These indicators, which for 2006/7 and 2007/8 are based on the trading of continuing operations, 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 –
  - 2007/8 – (12.2)%
  - 2006/7 – (36.3)%
  - 2005/6 – 2.3%
  - 2004/5 – 20.2%
  - 2003/4 – 32.2%
- 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 –
  - 2007/8 – 8.4%
  - 2006/7 – (2.7)%
  - 2005/6 – 10.9%
  - 2004/5 – 11.6%
  - 2003/4 – 13.7%

## 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: Total overhead percentage –
  - 2007/8 – 17.3%
  - 2006/7 – 17.3%
  - 2005/6 – 10.0%
  - 2004/5 – 8.5%
  - 2003/4 – 8.5%

- 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 –
 

|          |          |
|----------|----------|
| 2007/8 – | (69.6)%  |
| 2006/7 – | (107.6)% |
| 2005/6 – | 686.3%   |
| 2004/5 – | (48.5)%  |
| 2003/4 – | 57.2%    |
- 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:
 

|                         |
|-------------------------|
| <b>Year end stock =</b> |
| Year end stock          |
| <b>Cost of sales =</b>  |
| Cost of sales           |
- Quantified target: 6.0

- Quantified data: Stock turn –
 

|          |     |
|----------|-----|
| 2007/8 – | 4.7 |
| 2006/7 – | 2.7 |
| 2005/6 – | 5.6 |
| 2004/5 – | 5.1 |
| 2003/4 – | 5.3 |

- 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 26 to 28, 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 was one incident requiring the completion of a RIDDOR form (Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995), which is lower than for the previous two years. The in-depth review of our UK Health and Safety policy continued into 2008 to further 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. An extensive review of current risk assessments is also underway. This recognises that functional responsibility and in some cases the location of activities have been 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 warehouses in Rugby, Cortonwood and Tyneside 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 affects 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 has continued 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 26 to 28.

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 487 people, 343 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 average number of days of absence for our employees was 1.5 for manual and 1.4 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.

### Principal Group Activities and Review of Operations

The Chairman's Statement on pages 3 to 4 and the Business Review on pages 5 to 11 describe the principal activities and operations of the Group. The Business Review also describes the principal risks and uncertainties facing the Group and the likely future developments in the business of the Group. The principal subsidiaries are listed in Note 14 on page 51.

### Results and Dividends

The results of the Group are set out in the Consolidated Income Statement on page 29. The transfers to reserves are shown in Note 22 on page 60.

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 2008/09.

### Directors

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

In accordance with the Articles of Association of the Company, Mr M Ashley and Mr A P Shearer, having been appointed since the last Annual General Meeting, will retire at this year's Annual General Meeting and being eligible, will offer themselves for re-election. Mr A D Rose and Mr P J Cannon retire by rotation at this year's Annual General Meeting and will seek re-election. Mr P E Selway-Swift has been a Director of the Company for more than nine years and he will therefore retire and seek re-appointment in accordance with the Combined Code on Corporate Governance.

Mr D W Allen resigned from the Board on 7 June 2007, to avoid any potential conflicts of interest in relation to the sale of the Leisure Division and 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.

At the conclusion of the Company's Annual General Meeting held on 4 October 2007, Mr J E Harris and Mr A Coda retired from the Board and Ms B P Blow was appointed as Non-Executive Chairman.

### Directors' Biographies

#### Ms B P Blow, Non-Executive Chairman

Bridget Blow, 59, 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 and at the conclusion of the Company's Annual General Meeting held on 4 October 2007, she was appointed Non-Executive Chairman. She is also Non-Executive Chairman of Trustmarque Solutions Limited 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 England from 2000 to 2005. She is a member of the Council of Birmingham University.

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

Daniel Harris, 48, 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. Appointed Group Chief Executive Officer in 1992, Daniel develops and leads business strategies and processes for the furtherance of the Group.

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

Andrew Rose, 49, 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 strategy and numerous corporate developments. An expert in mergers, acquisitions and disposals he has played a vital part in the development of the Group.

### **P J Cannon, Director**

Paul Cannon, 57, based in Hong Kong, has a background in overseas sourcing for major retailers both in the UK and USA. Paul 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.

### **M Ashley, Director**

Mike Ashley, 40, joined the Group in October 2004, as Managing Director of Harvard Telecommunications. The following year he was appointed Managing Director of Bush Radio plc and in October 2006, he was promoted to Managing Director of the UK Consumer Electronics Division. Mike was appointed to the Board in October 2007. Prior to joining the Group he held senior trading and marketing positions with Boots the Chemist, Argos Ltd and Dixons Store Group and has considerable knowledge of the requirements of our retail customers.

### **P E Selway-Swift, Senior Independent Non-Executive Director**

Paul Selway-Swift, 64, 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 Pure Circle Ltd and of Atlantis Investment Management (Ireland) Ltd. He is a Non-Executive Director of Li and Fung Ltd, a Hong Kong based global trading group and of several other companies. Paul 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 and on 4 October 2007, he was appointed as Chairman of the Nomination Committee.

As Paul has served on the Board for more than nine years, the Board evaluated the level of his independence as part of his formal performance evaluation and concluded that he remains fully independent. His independence is demonstrated by the independent judgement which he

displays in his roles as Senior Independent Non-Executive Director and Chairman of the Audit, Remuneration and Nomination Committees and his questioning of the Executive Directors during Board meetings.

### **A P Shearer FCA, Non-Executive Director**

Tony Shearer, 59, joined the Board on 6 March 2008, at which time he became a member of the Audit and Remuneration Committees. Formerly the Chief Executive of Singer & Friedlander, he is Non-Executive Chairman of a number of companies including Caxton FX Ltd, UK Wealth Management Ltd, the AIM listed Abbey Protection plc and Uruguay Mineral Exploration Inc. He is also a Non-Executive Director of Wogen Group plc. Tony brings to the Group a wealth of knowledge and experience in banking and commerce.

## 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 16 to 21 together with details of their service contracts and remuneration.

## Share Capital and Control

The following information is given pursuant to Section 992 of the Companies Act 2006.

There are no restrictions on the voting rights attaching to the Company's Ordinary Shares or the transfer of securities in the Company. No person holds securities in the Company carrying special rights with regard to control of the Company. The Company is not aware of any agreements between holders of securities that may result in restrictions on the transfer of securities or voting rights. Further details on the rights, restrictions and obligations attaching to the share capital of the Company, including voting rights, are contained in the Company's Articles of Association. The Articles of Association may only be changed with the agreement of shareholders. Shares acquired through the Company's employee share schemes rank *pari passu* with shares in issue and have no special rights.

On a takeover, options and awards granted to employees under the Company's share schemes may vest. The Company is not party to any significant agreements that would take effect, alter or terminate upon a change of control following a takeover bid.

### Ordinary Shares

At the date of this report, 51,256,685 Ordinary Shares of 10 pence have been issued by the Company, are fully paid up and are listed on the London Stock Exchange.

### 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 21 July 2008:

|  | Number of shares held | Percentage |
|--|-----------------------|------------|
| GAM London Limited                           | 8,064,269             | 15.73      |
| Schroders Plc                                | 6,722,962             | 13.12      |
| Legal & General Investment Management Ltd.   | 6,133,222             | 11.96      |
| * Mrs A J Kaye (the sister of Mr D B Harris) | 6,100,367             | 11.90      |
| Mr J E Harris                                | 5,310,821             | 10.36      |
| + Pailex Securities International Inc        | 2,532,947             | 4.94       |
| Fidelity Investments Ltd.                    | 1,585,674             | 3.09       |

\*Mr D B Harris is beneficially interested in 540,000 of these shares.

+ Included in the beneficial interests of Mr D B Harris are 2,532,947 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 2008 Annual General Meeting. 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 pages 26 and 27. This statement includes details of the Group's policy on the employment of disabled persons and information on employee consultation and involvement.

### Payments to Suppliers and other Creditors

It is the Group's policy, in relation to its suppliers and other creditors, 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 2008, the average number of creditor days was 24 (2007 : 19).

### Annual General Meeting

The Annual General Meeting of the Company will be held at Bush House, The Waterfront, Elstree Road, Elstree, Hertfordshire WD6 3BS on 23 September 2008, at noon. The Notice of Meeting is included with a separate letter from the Chairman 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 letter 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 £218 were made by members of the Group during the year under review.

### 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.

### Financial Risk Management

The financial risk management and policies of the Group are disclosed on pages 53 to 55 of the Financial Statements.

### Liability Insurance for Company Officers

As permitted by the Companies Act 2006, 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 relevant audit information of which the Company's Auditors are unaware.

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**

28 July 2008

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 23 September 2008, 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 Mr A P Shearer who was appointed on 6 March 2008, all of whom are Non-Executive Directors. Sir Digby Jones was a member of the Committee until his resignation on 3 July 2007. Until his retirement from the Board on 4 October 2007, Mr J E Harris also attended the meetings of the Committee, except when his own remuneration was being considered. The Board has accepted all the recommendations of the Committee without amendment.

Details of the Directors retiring at the Annual General Meeting to be held on 23 September 2008, are given in the Directors' Report.

## Non-Executive Directors

The remuneration of the Non-Executive Chairman is reviewed by the Committee Chairman and Chief Executive Officer who make their recommendation to the Board. The remuneration of the other 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, bonuses and pensions.

During the year the Committee sought advice from New Bridge Street Consultants in determining the remuneration policy for the Executive Directors.

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 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

Having taken advice from independent consultants the Committee determined that Executive Directors who participate in the Alba plc Long-Term Incentive Plan can also receive a performance related cash bonus. With effect from 1 April 2008, Mr D B Harris, Mr A D Rose and Mr M Ashley are entitled to a cash bonus scheme which has a maximum of 75% of salary and pays:-

25% of salary for achieving budget (the achieved numbers include the cost of the scheme);

10% of salary for 90% of budget achieved (nothing for less);

50% of salary for 10% over budget and 75% of salary for 15%+ over budget.

A straight-line graph determines the points between 10% and 75% of salary.

## Share option schemes

Tax approved and unapproved Executive Share Option Schemes (ESOS) are available to Executive Directors and Senior Managers. Following the advice received from independent consultants the Committee has determined that Executive Directors who participate in the Alba plc Long-Term Incentive Plan, should also be 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 and the renewed 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:-

### (a) 1996 Executive Share Option Schemes.

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 apply to options granted prior to 1 April 2007 and were based on standard practice prevailing at the time the schemes were established. The conditions have not yet been met for the relevant subsisting options as detailed below.

### (b) Renewed 1996 Executive Share Option Schemes.

For Executive Directors - Should the increase in the share price between the date of grant and the third anniversary of the grant be:

i) over 30%, then 25% of the option granted can be exercised.

ii) over 60%, then 100% of the option granted can be exercised.

iii) between 30% and 60%, the number that can be exercised will be determined by a straight-line graph.

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.

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

### (1) Alba plc 1996 Executive Share Option Schemes:

| Exercise Price    | 1 April 2007 | Granted during the year ended 31 March 2008 | Lapsed during the year ended 31 March 2008 | Exercised during the year ended 31 March 2008 | 31 March 2008 |
|-------------------|--------------|---|--|---|---------------|
| <b>D W Allen</b>  |              |   |  |   |               |
| (a) 437.5p        | 6,857        | -   | *6,857                                     | -   | -             |
| (b) 437.5p        | 3,143        | -   | *3,143                                     | -   | -             |
| (d) 373p          | 15,000       | -   | *15,000                                    | -   | -             |
|                   | 25,000       | -   | 25,000                                     | -   | -             |
| <b>D B Harris</b> |              |   |  |   |               |
| (f) 73.25p        | -            | 100,000                                     | -  | -   | 100,000       |
|                   | -            | 100,000                                     | -  | -   | 100,000       |
| <b>A D Rose</b>   |              |   |  |   |               |
| (e) 73.25p        | -            | 40,955                                      | -  | -   | 40,955        |
| (f) 73.25p        | -            | 59,045                                      | -  | -   | 59,045        |
|                   | -            | 100,000                                     | -  | -   | 100,000       |
| <b>P J Cannon</b> |              |   |  |   |               |
| (f) 73.25p        | -            | 30,000                                      | -  | -   | 30,000        |
|                   | -            | 30,000                                      | -  | -   | 30,000        |
| <b>M Ashley</b>   |              |   |  |   |               |
| (c) 373p          | **8,042      | -   | -  | -   | 8,042         |
| (d) 373p          | **1,958      | -   | -  | -   | 1,958         |
| (f) 73.25p        | -            | 100,000                                     | -  | -   | 100,000       |
|                   | 10,000       | 100,000                                     | -  | -   | 110,000       |

\* At date of resignation.

\*\* 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 2015
- (d) 1 July 2008 and 30 June 2012
- (e) 8 January 2011 and 7 January 2018
- (f) 8 January 2011 and 7 January 2015

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

| Exercise Price   | Granted during the year ended |               | Lapsed during the year ended |               | Exercised during the year ended |               |
|------------------|-------------------------------|---------------|------------------------------|---------------|---------------------------------|---------------|
|                  | 1 April 2007                  | 31 March 2008 | 31 March 2008                | 31 March 2008 | 31 March 2008                   | 31 March 2008 |
| <b>A D Rose</b>  |                               |               |                              |               |                                 |               |
| (b) 350p         | 568                           | -             | -                            | -             | -                               | 568           |
| (c) 313.2p       | 2,110                         | -             | 2,110                        | -             | -                               | -             |
| (f) 62.4p        | -                             | 29,366        | -                            | -             | -                               | 29,366        |
|                  | 2,678                         | 29,366        | 2,110                        | -             | -                               | 29,934        |
| <b>D W Allen</b> |                               |               |                              |               |                                 |               |
| (a) 350p         | 1,877                         | -             | *1,877                       | -             | -                               | -             |
| (d) 636p         | 1,660                         | -             | *1,660                       | -             | -                               | -             |
|                  | 3,537                         | -             | 3,537                        | -             | -                               | -             |
| <b>M Ashley</b>  |                               |               |                              |               |                                 |               |
| (e) 62.4p        | -                             | 15,384        | -                            | -             | -                               | 15,384        |
|                  | -                             | 15,384        | -                            | -             | -                               | 15,384        |

\* At date of resignation.

The options are exercisable between the following dates:

- (a) 1 February 2008 and 31 July 2008
- (b) 1 February 2010 and 31 July 2010
- (d) 1 September 2011 and 29 February 2012
- (e) 1 March 2011 and 31 August 2011
- (f) 1 March 2015 and 31 August 2015

In addition, the Alba ESOP Trust 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 2008 was 80p per Ordinary Share and the high and low share prices during the year to 31 March 2008 were 186p and 61.5p, 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 | 1 April 2007 | Granted during the year ended |               | Lapsed during the year ended |               |
|-------------------|-------------------------------|--------------|-------------------------------|---------------|------------------------------|---------------|
|                   |                               |              | 31 March 2008                 | 31 March 2008 | 31 March 2008                | 31 March 2008 |
| <b>J E Harris</b> |                               |              |                               |               |                              |               |
| (a) 01.07.04      | 795.0p                        | 13,807       | -                             | 13,807        | -                            | -             |
| (b) 01.07.05      | 377.5p                        | 41,873       | -                             | -             | -                            | *41,873       |
| (c) 01.07.06      | 207.0p                        | 81,985       | -                             | -             | -                            | *81,985       |
|                   |                               | 137,665      | -                             | 13,807        | -                            | 123,858       |
| <b>D B Harris</b> |                               |              |                               |               |                              |               |
| (a) 01.07.04      | 795.0p                        | 20,117       | -                             | 20,117        | -                            | -             |
| (b) 01.07.05      | 377.5p                        | 61,069       | -                             | -             | -                            | 61,069        |
| (c) 01.07.06      | 207.0p                        | 121,733      | -                             | -             | -                            | 121,733       |
|                   |                               | 202,919      | -                             | 20,117        | -                            | 182,802       |
| <b>A D Rose</b>   |                               |              |                               |               |                              |               |
| (a) 01.07.04      | 795.0p                        | 13,699       | -                             | 13,699        | -                            | -             |
| (b) 01.07.05      | 377.5p                        | 41,341       | -                             | -             | -                            | 41,341        |
| (c) 01.07.06      | 207.0p                        | 82,252       | -                             | -             | -                            | 82,252        |
|                   |                               | 137,292      | -                             | 13,699        | -                            | 123,593       |
| <b>P J Cannon</b> |                               |              |                               |               |                              |               |
| (a) 01.07.04      | 795.0p                        | 3,985        | -                             | 3,985         | -                            | -             |
| (b) 01.07.05      | 377.5p                        | 9,324        | -                             | -             | -                            | 9,324         |
| (c) 01.07.06      | 207.0p                        | 17,831       | -                             | -             | -                            | 17,831        |
|                   |                               | 31,140       | -                             | 3,985         | -                            | 27,155        |
| <b>A Coda</b>     |                               |              |                               |               |                              |               |
| (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       | -                            | -             |
|                   |                               | 28,207       | -                             | 28,207        | -                            | -             |

\* At date of retirement.

(a) As neither of the two performance targets detailed below was met the awards granted on 1 July 2004 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 2008 and (c) 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).

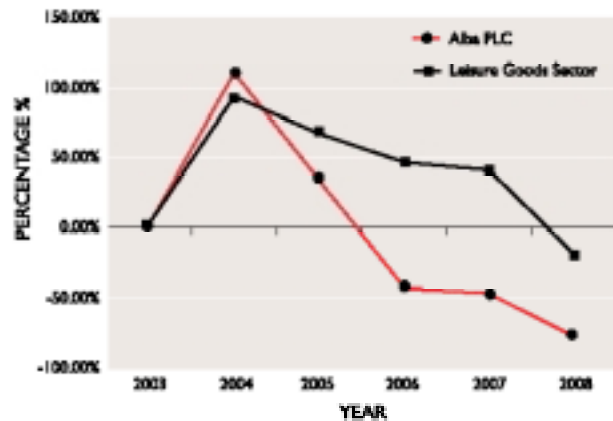
If in relation to either of the above targets Alba plc's growth achievement against the relevant comparative during the performance period is (in case of the TSR target) 6% or more but less than 9% or (in case of the EPS target) 2% per annum or more but less than 3% per annum, then the percentage of 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 2005 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, Mr D W Allen and Mr M Ashley 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. 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 M Ashley whose contract of employment is subject to six months' notice on either side.

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

| Director      | Date of Contract | Employing Company                     |
|---------------|------------------|---------------------------------------|
| Mr 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 M Ashley   | 4 October 2004   | Alba Broadcasting Corporation Limited |

# Remuneration Report

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 up to 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 12 and 13. 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<br>year ended<br>31 March<br>2008<br>£'000 | for the<br>year ended<br>31 March<br>2007<br>£'000 |
|--|--|--|
| Emoluments for qualifying services                           | 1,291  | 1,782  |
| Contributions to money purchase<br>Pension schemes and SIPPs | 202  | 303  |
| Benefits   | 61   | 64   |
|  | 1,554  | 2,149  |
| Fees   | 146  | 174  |
| <b>Total</b>   | <b>1,700</b>                                       | <b>2,323</b>                                       |

The remuneration of each Director for the year ended 31 March 2008 is made up as follows:

|                  | Emoluments for<br>qualifying service<br>£'000 | Pension<br>contributions<br>£'000 | Benefits<br>£'000 | Total<br>£'000 | Prior<br>year<br>total<br>£'000 |
|------------------|---|-----------------------------------|-------------------|----------------|---------------------------------|
| J E Harris****   | 56  | –                                 | –                 | 56             | 341                             |
| D B Harris       | 509   | 98                                | 1                 | 608            | 668                             |
| A D Rose         | 344   | 65                                | 1                 | 410            | 442                             |
| P J Cannon       | 137   | 24                                | 56                | 217            | 219                             |
| A Coda****       | 78  | –                                 | 3                 | 81             | 163                             |
| D W Allen**      | 38  | 5                                 | –                 | 43             | 316                             |
| M Ashley*        | 129   | 10                                | –                 | 139            | –                               |
| D J Brecher      | –   | –                                 | –                 | –              | 12                              |
| W F Cotton       | –   | –                                 | –                 | –              | 12                              |
| P E Selway-Swift | 50  | –                                 | –                 | 50             | 50                              |
| D M Jones***     | 13  | –                                 | –                 | 13             | 50                              |
| B P Blow         | 80  | –                                 | –                 | 80             | 50                              |
| A P Shearer***** | 3   | –                                 | –                 | 3              | –                               |

\* Since date of appointment on 4 October 2007

\*\* Up to date of resignation on 7 June 2007

\*\*\* Up to date of resignation on 3 July 2007

\*\*\*\* Up to date of retirement on 4 October 2007

\*\*\*\*\* Since date of appointment on 6 March 2008

Mr D B Harris and Mr A D Rose agreed to a reduction in their base salary from £495,000 to £350,000 and £330,000 to £250,000 respectively, with effect from 1 April 2008.

Mr D Allen was paid a bonus of £200,000 by Pulse Home Products Limited immediately prior to the completion of the disposal of the Leisure Division. This bonus was approved by Shareholders at the Extraordinary General Meeting of the Company held on the 22 August 2007.

## 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<br>31 March<br>2008 | Beneficial<br>31 March<br>2007 | Non-Beneficial<br>31 March<br>2008 | Non-Beneficial<br>31 March<br>2007 |
|------------------|--------------------------------|--------------------------------|------------------------------------|------------------------------------|
| 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                        | –                                  | –                                  |
| M Ashley         | –                              | –                              | –                                  | –                                  |
| P E Selway-Swift | 5,760                          | 5,760                          | –                                  | –                                  |
| B P Blow         | 10,000                         | 10,000                         | –                                  | –                                  |
| A P Shearer      | –                              | –                              | –                                  | –                                  |

As at 28 July 2008 there had been no alterations to the Directors' interests since 31 March 2008.

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**

28 July 2008

The Board seeks to comply with established corporate governance best practice. Throughout the year to 31 March 2008, the Company complied with the provisions of section 1 of the revised Combined Code on corporate governance issued by the Financial Reporting Council in June 2006 ("the Code"), except for the provision relating to the number of Non-Executive Directors. An additional Non-Executive Director would need to be appointed in order for there to be a balance of Executive and Non-Executive Directors on the Board. Such an additional Non-Executive Director has not been appointed because, due to the size of the Group, the appointment of an additional Non-Executive Director is not considered practical.

### The Board

The Board, which met eleven 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 the Non-Executive Chairman, four Executive Directors and two Non-Executive Directors. Their names and biographical details are set out on pages 12 and 13. 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 the Chairman and 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.

During the year under review the Chairman introduced a formal process for performance evaluation and the Board carried out a rigorous evaluation of its performance and that of its committees and individual Directors.

A summary of findings was reviewed by the Board and recommendations were implemented as appropriate. A performance evaluation of the Chairman will be conducted by the Non-Executive Directors, taking into account the views of the Executive Directors, prior to the first anniversary of her appointment which occurred on 4 October 2007.

None of the Executive Directors has any third party directorships but Messrs, D B Harris and A D Rose were members of the advisory board of Grundig Multimedia BV, the Joint Venture holding company. They resigned as board members on 31 March 2008.

## 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](http://www.albapl.com). The Chairman of the committees attends 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 following his appointment to the Board on 6 March 2008, Mr A P Shearer. Sir Digby Jones was a member of this committee until his resignation on 3 July 2007.

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 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 and by invitation, the Finance Director attended all these meetings. Prior to his retirement as Chairman, Mr J E Harris, by invitation attended one meeting and prior to his appointment, by invitation, Mr A P Shearer attended one meeting. The following matters were reviewed and discussed: -

- The External Auditors' Report to the Committee for the year ended 31 March 2007 and the Audit and Client Service Plan for 2008.
- Issues raised by the Company's review 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 2008.

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 following his appointment to the Board on 6 March 2008, Mr A P Shearer. Sir Digby Jones was a member of this committee until his resignation on 3 July 2007.

The principal duties of the Remuneration Committee, which met three times during the year, are to consider all aspects of Directors' remuneration. Its policy is to establish remuneration packages, which enable the Company to 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 and following advice received from independent consultants, a cash bonus scheme. Full details of the remuneration policy are set out in the Remuneration Report on pages 16 to 21.

The Remuneration Committee also considers the grant of share options under the Company's Executive Share Option Schemes 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 Executive Directors and 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 chaired the committee, and Non-Executive Directors Mr P E Selway-Swift and Ms B P Blow. On 4 October 2007, Mr J E Harris retired from the committee and Mr P E Selway-Swift was appointed as Chairman. This committee, which reports to the Board, is primarily responsible for the appointment of Non-Executive Directors and succession planning. The full committee held two formal meetings during the year to consider the appointment of Mr M Ashley as Executive Director, Ms B P Blow as Non-Executive Chairman and Mr A P Shearer as Non-Executive Director.

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 accordingly neither an external search consultancy nor open advertising was used in relation to such appointment.

Following a recommendation of the Chief Executive and the evaluation of the skills, knowledge and experience of the Executive Directors already on the Board, the committee decided that given his contribution to the development of the UK Consumer Electronics Division, the Board would be further enhanced by the appointment of Mr M Ashley.

During the year the Nomination Committee reviewed and processed details received from various sources, including external search consultancies, of more than twelve Non-Executive Director candidates. Of these the committee interviewed eight, including Mr A P Shearer who had been recommended by Mr P E Selway-Swift, Chairman of the committee. Given his City and accountancy background, Mr A P Shearer was considered to be the most suitable candidate for the position.

### Corporate Management Committee

This comprises 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) | (11)  | (3)             | (3)                    | (2)                  |
| J E Harris****            | 6     | 1*              | n/a                    | n/a                  |
| D B Harris                | 11    | n/a             | n/a                    | n/a                  |
| A D Rose                  | 11    | 3*              | n/a                    | n/a                  |
| A Coda****                | 6     | n/a             | n/a                    | n/a                  |
| P J Cannon                | 9     | n/a             | n/a                    | n/a                  |
| D W Allen***              | -     | n/a             | n/a                    | n/a                  |
| M Ashley**                | 4     | n/a             | n/a                    | n/a                  |
| P E Selway-Swift          | 10    | 3               | 3                      | 2                    |
| D M Jones***              | -     | -               | -                      | n/a                  |
| B P Blow                  | 11    | 3               | 3                      | 2                    |
| A P Shearer**             | 1*    | 1*              | -                      | n/a                  |

\* By invitation.

\*\* From date of appointment.

\*\*\* To date of resignation.

\*\*\*\* 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 did 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 the 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 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. During the year, a review of the processes was undertaken by the Board and as a result a Risk Committee chaired by the Chief Executive Officer was established, comprising the Chairman, Finance Director, Chief Executive – Consumer Electronics, Company Secretary and Compliance Manager.

## 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 ended 31 March 2008, the responsibilities of internal audit were merged with Compliance and Governance functions. Reviews of business functions relating to key risk areas are conducted throughout the year and findings are reported to the Board.

### 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 further 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 to assist in reducing the risk of injury and occupation 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 and Intellect, the trade association for the UK technology industry, to the relevant consultative papers and 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, required significant changes to key materials within a number of product sectors. The introduction of these regulations demanded robust forward planning and 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.

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 their 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 has been 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 Finance 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 Chairman 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**

28 July 2008

## Consolidated Income Statement

|   | Notes | Year ended<br>31 March<br>2008<br>£'millions | Year ended<br>31 March<br>2007<br>£'millions |
|---|-------|--|--|
| <b>Revenue</b>  | 2     | <b>115.9</b>                                 | 111.9  |
| Cost of sales   |       | <b>(106.2)</b>                               | (114.9)                                      |
| Gross profit/(loss)   |       | <b>9.7</b>                                   | (3.0)  |
| Net operating expenses  | 3     | <b>(19.6)</b>                                | (19.1)                                       |
| <b>Operating Loss</b>   |       | <b>(9.9)</b>                                 | (22.1)                                       |
| Finance costs   | 4     | <b>(0.7)</b>                                 | (1.6)  |
| Finance income  | 4     | <b>1.4</b>                                   | 1.4  |
| <b>Loss before tax</b>  | 5     | <b>(9.2)</b>                                 | (22.3)                                       |
| Tax   | 7     | <b>(0.5)</b>                                 | 6.2  |
| <b>Loss for the period from continuing operations</b>             |       | <b>(9.7)</b>                                 | (16.1)                                       |
| <b>Profit/(Loss) for the period from discontinuing operations</b> | 8     | <b>26.5</b>                                  | (21.7)                                       |
| <b>Profit/(Loss) for the period</b>                               |       | <b>16.8</b>                                  | (37.8)                                       |
| Attributable to:  |       |  |  |
| Equity holders of the parent                                      |       | <b>16.8</b>                                  | (37.8)                                       |
| <b>Earnings per share (in pence)</b>                              | 9     |  |  |
| Basic   |       |  |  |
| - continuing operations   |       | <b>(19.1)p</b>                               | (31.8)p                                      |
| - discontinuing operations  |       | <b>52.2p</b>                                 | (42.9)p                                      |
| - total   |       | <b>33.1p</b>                                 | (74.7)p                                      |
| Diluted   |       |  |  |
| - continuing operations   |       | <b>(19.1)p</b>                               | (31.8)p                                      |
| - discontinuing operations  |       | <b>52.2p</b>                                 | (42.9)p                                      |
| - total   |       | <b>33.1p</b>                                 | (74.7)p                                      |

## Consolidated Statement of Recognised Income and Expense

### Net income/(expense) recognised directly in equity:

|  |              |             |        |
|--|--------------|-------------|--------|
| Exchange differences on translation of overseas operations                                 | <b>(1.8)</b> | (8.3)       |        |
| Currency translation difference on net investment hedges                                   | -            | 5.2         |        |
| Losses relating to designated hedges   | <b>(0.1)</b> | (2.8)       |        |
| Reversal of prior year designated hedges   | <b>2.8</b>   | -           |        |
| Property revaluation   | <b>(3.8)</b> | 9.9         |        |
| Tax on items taken directly to reserves  | <b>1.1</b>   | (1.4)       |        |
|  | <b>(1.8)</b> | 2.6         |        |
| <b>Profit/(Loss) for the period</b>  | <b>16.8</b>  | (37.8)      |        |
| <b>Total recognised income/(expense) for period<br/>(all attributable to shareholders)</b> | 23           | <b>15.0</b> | (35.2) |

# Group Balance Sheet

|  | Notes  | 31 March<br>2008<br>£'millions | 31 March<br>2007<br>£'millions |
|--|--------|--------------------------------|--------------------------------|
| <b>Non-current assets</b>  |        |                                |                                |
| Property, plant and equipment  | 12     | 21.6                           | 27.2                           |
| Investment in joint venture  | 13     | -                              | 12.0                           |
| Other receivables  | 8 (ii) | 5.5                            | -                              |
| <b>Total non-current assets</b>  |        | <b>27.1</b>                    | <b>39.2</b>                    |
| <b>Current assets</b>  |        |                                |                                |
| Inventories  | 15     | 22.7                           | 43.2                           |
| Trade and other receivables  | 16     | 22.8                           | 47.1                           |
| Tax recoverable  |        | -                              | 2.3                            |
| Cash and cash equivalents  |        | 28.2                           | 0.5                            |
| <b>Total current assets</b>  |        | <b>73.7</b>                    | <b>93.1</b>                    |
| <b>Non-current assets classified as held for resale</b>                                      | 8 (iv) | -                              | 32.9                           |
| <b>Total assets</b>  |        | <b>100.8</b>                   | <b>165.2</b>                   |
| <b>Current liabilities</b>   |        |                                |                                |
| Bank borrowings and overdrafts   | 17     | 2.8                            | 52.9                           |
| Trade and other payables   | 18     | 17.5                           | 31.6                           |
| Financial liabilities - derivative financial instruments                                     | 17     | 0.1                            | 2.8                            |
| Income tax   |        | 0.9                            | 1.4                            |
| Provisions   | 19     | 4.1                            | 4.4                            |
| <b>Total current liabilities</b>   |        | <b>25.4</b>                    | <b>93.1</b>                    |
| <b>Non-current liabilities</b>   |        |                                |                                |
| Deferred tax   | 20     | -                              | 1.0                            |
| <b>Total non-current liabilities</b>   |        | <b>-</b>                       | <b>1.0</b>                     |
| <b>Liabilities directly associated with non-current assets classified as held for resale</b> | 8 (iv) | -                              | 9.6                            |
| <b>Total liabilities</b>   |        | <b>25.4</b>                    | <b>103.7</b>                   |
| <b>Total net assets</b>  |        | <b>75.4</b>                    | <b>61.5</b>                    |
| <b>Equity attributable to equity holders of the parent</b>                                   |        |                                |                                |
| Share capital  | 21     | 5.1                            | 5.1                            |
| Share premium  | 22     | 18.6                           | 18.6                           |
| Investment in own shares   | 22     | (2.3)                          | (2.3)                          |
| Translation reserve  | 22     | (8.1)                          | (6.6)                          |
| Hedging reserve  | 22     | 1.8                            | (0.9)                          |
| Revaluation reserve  | 22     | 5.8                            | 8.5                            |
| Other reserves   | 22     | 1.7                            | 1.7                            |
| Retained earnings  | 22     | 52.8                           | 37.4                           |
| <b>Total equity</b>  | 23     | <b>75.4</b>                    | <b>61.5</b>                    |

## Company Balance Sheet

| Notes  | 31 March<br>2008<br>£'millions | 31 March<br>2007<br>£'millions |
|--|--------------------------------|--------------------------------|
| <b>Non-current assets</b>                                  |                                |                                |
| Investments  | 14                             | 13.1                           |
| Total non-current assets                                   | 13.1                           | 25.0                           |
| <b>Current assets</b>                                      |                                |                                |
| Trade and other receivables                                | 16                             | 102.6                          |
| Total current assets                                       | 102.6                          | 35.3                           |
| <b>Total assets</b>  |                                |                                |
|  |                                | 115.7                          |
| <b>Current liabilities</b>                                 |                                |                                |
| Trade and other payables                                   | 18                             | 27.4                           |
| Total current liabilities                                  | 27.4                           |                                |
| <b>Total liabilities</b>                                   |                                |                                |
|  |                                | 27.4                           |
| <b>Total net assets</b>                                    |                                |                                |
|  |                                | 88.3                           |
| <b>Equity attributable to equity holders of the parent</b> |                                |                                |
| Share capital  | 21                             | 5.1                            |
| Share premium  | 22                             | 18.6                           |
| Capital reserve  | 22                             | 2.7                            |
| Investment in own shares                                   | 22                             | (2.3)                          |
| Other reserves   | 22                             | 1.7                            |
| Retained earnings  | 22                             | 62.5                           |
| <b>Total equity</b>  |                                |                                |
|  |                                | 88.3                           |

The accounts on pages 29 to 65 were approved by the Board of Directors on 28 July 2008 and signed on its behalf by:

**D B Harris**    **Director**

**A D Rose**     **Director**

## Group Cash Flow Statement

|   | Notes  | for the<br>year ended<br>31 March<br>2008<br>£'millions | for the<br>year ended<br>31 March<br>2007<br>£'millions |
|---|--------|---|---|
| <b>Cash flow from operating activities</b>                            |        |   |   |
| Cash generated from operations  | 24     | 6.4   | 24.0  |
| Tax received  |        | 1.4   | 0.7   |
| <b>Net cash from operating activities</b>                             |        | <b>7.8</b>  | <b>24.7</b>   |
| <b>Cash flows from investing activities</b>                           |        |   |   |
| Interest received   |        | 1.4   | 1.4   |
| Sale/(Purchase) of property, plant and equipment (net)                |        | 0.6   | (1.1)   |
| Sale of discontinued activities (net)                                 | 8 (ii) | 70.8  | -   |
| <b>Net cash flow from investing activities</b>                        |        | <b>72.8</b>   | <b>0.3</b>  |
| <b>Cash flows from financing activities</b>                           |        |   |   |
| Finance costs paid  |        | (0.8)   | (1.9)   |
| Dividends paid  |        | (1.1)   | (5.6)   |
| Repayment of bank loans   |        | -   | (24.7)  |
| Movement in bank import advances (net)                                |        | (37.4)  | 1.9   |
| <b>Net cash flow used in financing activities</b>                     |        | <b>(39.3)</b>   | <b>(30.3)</b>   |
| <b>Net cash flow increase/(decrease) in cash and cash equivalents</b> |        | <b>41.3</b>   | <b>(5.3)</b>  |
| Net foreign exchange differences                                      |        | (0.9)   | 1.4   |
| <b>Cash and cash equivalents at beginning of period</b>               |        | <b>(12.2)</b>   | <b>(8.3)</b>  |
| <b>Cash and cash equivalents at end of period</b>                     |        | <b>28.2</b>   | <b>(12.2)</b>   |

## Company Cash Flow Statement

|   | for the<br>year ended<br>31 March<br>2008<br>£'millions | for the<br>year ended<br>31 March<br>2007<br>£'millions |
|---|---|---|
| <b>Operating Profit/(Loss)</b>                          | <b>25.1</b>   | (0.6)   |
| IFRS 2 share option charge                              | -   | 0.1   |
| Decrease/(increase) in receivables                      | <b>0.8</b>  | (0.8)   |
| Increase in payables                                    | <b>0.8</b>  | -   |
| (Increase)/decrease in amounts owed by subsidiaries     | <b>(62.5)</b>   | 6.9   |
| <b>Cash flows from operating activities</b>             | <b>(35.8)</b>   | 5.6   |
| <b>Cash flows from investing activities</b>             |   |   |
| Sale of investments                                     | <b>36.9</b>   | -   |
| <b>Net cash flow from investing activities</b>          | <b>36.9</b>   | -   |
| <b>Financing activities</b>                             |   |   |
| Dividends paid  | <b>(1.1)</b>  | (5.6)   |
| <b>Net cash flow used in financing activities</b>       | <b>(1.1)</b>  | (5.6)   |
| <b>Net increase in cash and cash equivalents</b>        | <b>-</b>  | -   |
| <b>Cash and cash equivalents at beginning of period</b> | <b>-</b>  | -   |
| <b>Cash and cash equivalents at end of period</b>       | <b>-</b>  | -   |

The Company had no net borrowings at the end of the period (2007 : 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 less subsequent depreciation. Revaluations of this class of fixed assets are carried out on a regular basis. Material changes to asset valuation are 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.

Assets are 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.

### Trade receivables

Trade receivables do not carry any interest and are initially recognised at their fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the estimated future recoverable amount.

### 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 shareholders' 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 shareholders' 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.

### Trade payables

Trade payables are not interest bearing and are stated at their face value.

## 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.

## Non-current assets held for sale and discontinued operations

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This condition is regarded as met only when a sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of

classification. Disposal groups are groups of assets, and liabilities directly associated with those assets, that are to be disposed of together as a group in a single transaction.

Non-current assets (and disposal groups) classified as held for sale are initially measured at the lower of carrying value and fair value less costs to sell. At subsequent reporting dates non-current assets (and disposal groups) are re-measured to the latest estimate of fair value less costs to sell. As a result of this re-measurement any impairment is recognised by charging to the Consolidated Income Statement, any increase in fair value is applied to reverse previous impairment charges on the non-current assets (or disposal groups) to a maximum of the original amortised cost.

Discontinued operations represent cash generating units or groups of cash generating units that have either been disposed of or classified as held for sale, and represent a separate major line of business or are part of a single co-ordinated plan to dispose of a separate major line of business. Cash generating units forming part of a single co-ordinated plan to dispose of a separate major line of business are classified within the continuing operations until they meet the criteria to be held for sale.

The post-tax profit or loss of the discontinued operation is classified as a single line on the face of the Consolidated Income Statement, together with any post-tax gain or loss recognised on the re-measurement to fair value less cost to sell or on the disposal of the assets or disposal group constituting the discontinued operation.

On changes to the composition of the groups of units comprising discontinued operations, the presentation of discontinued operations within prior periods is restated to reflect consistent classification of discontinued operations across all periods presented.

## 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 -<br>financial periods<br>beginning on or after |
|----------|---|--|
| IFRS 8   | Operating segments                                | 1 January 2009   |
| IFRIC 12 | Service Concession Arrangements                   | 1 January 2008   |
| IFRIC 16 | Hedges of a Net Investment in a Foreign Operation | 1 October 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.

## 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, stock provisions and property valuations.

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.

The directors have valued the Freehold Property and Leasehold Land and Buildings on the basis of the estimated Market Value at the balance sheet date. Given current market uncertainties, values of such assets maybe subject to significant variation in the next financial year.

## 2 Segment Information

Primary reporting format - geographical segments.

As a result of the disposal of the Leisure Division, Roadstar and our interest in Grundig, the reporting segments have changed and comparative information has been restated to account for activities that have been discontinued during the year. The Group now only operates within the Consumer Electronics in the UK, the Far East and Australia. The Group is therefore now organised into management and reporting divisions based in these locations. The primary reporting segment has therefore changed from business segments to geographical segments as below:

### Continuing Operations:

|                            | Year ended 31 March 2008 |                        |                         |                     | Year ended 31 March 2007 |                        |                         |                     |
|----------------------------|--------------------------|------------------------|-------------------------|---------------------|--------------------------|------------------------|-------------------------|---------------------|
|                            | UK<br>£'millions         | Far East<br>£'millions | Australia<br>£'millions | Total<br>£'millions | UK<br>£'millions         | Far East<br>£'millions | Australia<br>£'millions | Total<br>£'millions |
| <b>Revenue</b>             |                          |                        |                         |                     |                          |                        |                         |                     |
| External sales             | 75.1                     | 33.0                   | 7.8                     | 115.9               | 63.2                     | 44.6                   | 4.1                     | 111.9               |
| Inter-segment sales        | –                        | 10.1                   | –                       | 10.1                | 50.6                     | 21.9                   | –                       | 72.5                |
| Operating profit/(loss)    | (13.8)                   | 3.4                    | 0.5                     | (9.9)               | (26.7)                   | 4.2                    | 0.4                     | (22.1)              |
| Finance costs              | (0.8)                    | 1.4                    | 0.1                     | 0.7                 | (3.0)                    | 2.7                    | 0.1                     | (0.2)               |
| Profit/(loss) before tax   | (14.6)                   | 4.8                    | 0.6                     | (9.2)               | (29.7)                   | 6.9                    | 0.5                     | (22.3)              |
| <b>Total assets</b>        | 93.2                     | 77.0                   | 2.9                     | 173.1               | 101.6                    | 90.3                   | 1.9                     | 193.8               |
| Total liabilities          | (89.0)                   | (5.7)                  | (2.1)                   | (96.8)              | (151.0)                  | (17.4)                 | (0.8)                   | (169.2)             |
| <b>Net assets</b>          | 4.2                      | 71.3                   | 0.8                     | 76.3                | (49.4)                   | 72.9                   | 1.1                     | 24.6                |
| Income tax                 | –                        | (0.9)                  | –                       | (0.9)               | –                        | (1.3)                  | (0.1)                   | (1.4)               |
| <b>Total net assets</b>    | 4.2                      | 70.4                   | 0.8                     | 75.4                | (49.4)                   | 71.6                   | 1.0                     | 23.2                |
| <b>Capital expenditure</b> | 0.1                      | 0.1                    | –                       | 0.2                 | 0.5                      | 0.3                    | –                       | 0.8                 |
| <b>Depreciation charge</b> | 1.1                      | 0.1                    | –                       | 1.2                 | 1.2                      | 0.1                    | –                       | 1.3                 |

Inter-segment sales are priced on an arms-length basis.

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

|                | for the<br>year ended<br>31 March<br>2008<br>£'millions | for the<br>year ended<br>31 March<br>2007<br>£'millions |
|----------------|---|---|
| <b>Revenue</b> |   |   |
| United Kingdom | 95.4  | 89.6  |
| Germany        | 10.0  | 14.8  |
| Australia      | 7.8   | 4.1   |
| Rest of Europe | 2.7   | 3.4   |
|                | <b>115.9</b>  | <b>111.9</b>  |

## Discontinuing Operations:

| Notes                                 | Year ended 31 March 2008 |                                  |                     | Year ended 31 March 2007 |                                  |                     |
|---------------------------------------|--------------------------|----------------------------------|---------------------|--------------------------|----------------------------------|---------------------|
|                                       | UK<br>£'millions         | Mainland<br>Europe<br>£'millions | Total<br>£'millions | UK<br>£'millions         | Mainland<br>Europe<br>£'millions | Total<br>£'millions |
| <b>Revenue</b>                        |                          |                                  |                     |                          |                                  |                     |
| External sales                        | 143.3                    | 6.8                              | 150.1               | 314.7                    | 27.0                             | 341.7               |
| Inter-segment sales                   | -                        | -                                | -                   | -                        | -                                | -                   |
| Operating profit/(loss)               | (8.7)                    | (1.3)                            | (10.0)              | (2.6)                    | (2.8)                            | (5.4)               |
| Finance costs                         | -                        | (0.1)                            | (0.1)               | -                        | (0.3)                            | (0.3)               |
| Total operating profit                | (8.7)                    | (1.4)                            | (10.1)              | (2.6)                    | (3.1)                            | (5.7)               |
| Shares of results<br>of joint venture | -                        | (6.8)                            | (6.8)               | -                        | (16.0)                           | (16.0)              |
| Profit/(loss) before tax              | 8 (i)                    | (8.7)                            | (16.9)              | (2.6)                    | (19.1)                           | (21.7)              |
| Segment assets                        | -                        | -                                | -                   | 32.9                     | 18.0                             | 50.9                |
| Joint venture                         | -                        | -                                | -                   | -                        | 12.0                             | 12.0                |
| <b>Total assets</b>                   | -                        | -                                | -                   | 32.9                     | 30.0                             | 62.9                |
| Total liabilities                     | -                        | -                                | -                   | (9.6)                    | (15.0)                           | (24.6)              |
| <b>Net assets</b>                     | -                        | -                                | -                   | 23.3                     | 15.0                             | 38.3                |
| Income tax                            | -                        | -                                | -                   | -                        | -                                | -                   |
| <b>Total net assets</b>               | -                        | -                                | -                   | 23.3                     | 15.0                             | 38.3                |
| <b>Capital expenditure</b>            | -                        | -                                | -                   | 0.3                      | -                                | 0.3                 |
| <b>Depreciation charge</b>            | -                        | -                                | -                   | 0.1                      | 0.1                              | 0.2                 |

Total assets and total liabilities may be reconciled to the Group Balance Sheet on page 30 as follows:

|                            | Year ended 31 March 2008      |                                    |                     | Year ended 31 March 2007      |                                    |                     |
|----------------------------|-------------------------------|------------------------------------|---------------------|-------------------------------|------------------------------------|---------------------|
|                            | Total<br>assets<br>£'millions | Total<br>liabilities<br>£'millions | Total<br>£'millions | Total<br>assets<br>£'millions | Total<br>liabilities<br>£'millions | Total<br>£'millions |
| Continuing operations      | 173.1                         | (96.8)                             | 76.3                | 193.8                         | (169.2)                            | 24.6                |
| Discontinuing operations   | -                             | -                                  | -                   | 62.9                          | (24.6)                             | 38.3                |
| Inter-company balances     | (72.3)                        | 72.3                               | -                   | (91.5)                        | 91.5                               | -                   |
|                            | 100.8                         | (24.5)                             | 76.3                | 165.2                         | (102.3)                            | 62.9                |
| Income Tax                 | -                             | (0.9)                              | (0.9)               | -                             | (1.4)                              | (1.4)               |
| As per Group Balance Sheet | 100.8                         | (25.4)                             | 75.4                | 165.2                         | (103.7)                            | 61.5                |

Note: only the UK operations were classified as held for sale at 31 March 2007 (see note 8 (iv) on page 47).

|                                 | Continuing operations<br>£'millions | Discontinuing operations<br>£'millions | for the year ended<br>31 March<br>2008<br>£'millions | Continuing operations<br>£'millions | Discontinuing operations<br>£'millions | for the year ended<br>31 March<br>2007<br>£'millions |
|---------------------------------|-------------------------------------|--|--|-------------------------------------|--|--|
| <b>3 Net Operating Expenses</b> |                                     |  |  |                                     |  |  |
| Selling and distribution        | 8.9                                 | 2.1                                    | 11.0   | 8.0                                 | 7.9                                    | 15.9   |
| Administration                  | 11.1                                | 13.2                                   | 24.3   | 11.4                                | 27.7                                   | 39.1   |
| Other operating income          | (0.4)                               | –                                      | (0.4)  | (0.3)                               | –                                      | (0.3)  |
|                                 | <b>19.6</b>                         | <b>15.3</b>                            | <b>34.9</b>  | <b>19.1</b>                         | <b>35.6</b>                            | <b>54.7</b>  |

|   | for the year ended<br>31 March<br>2008<br>£'millions | for the year ended<br>31 March<br>2007<br>£'millions |
|---|--|--|
| <b>4 Finance costs/income</b>                                     |  |  |
| Finance costs comprise:   |  |  |
| Interest on bank loans and overdrafts repayable<br>within 5 years | 0.7  | 1.6  |
| Finance income comprises:   |  |  |
| Bank interest receivable  | 0.3  | 0.4  |
| Interest from joint venture                                       | 1.1  | 1.0  |
|   | <b>1.4</b>   | <b>1.4</b>   |

|   | for the year ended<br>31 March<br>2008<br>£'millions | for the year ended<br>31 March<br>2007<br>£'millions |
|---|--|--|
| <b>5 Loss before tax is stated after charging</b>                   |  |  |
| Directors' emoluments   | 1.7  | 2.3  |
| Auditors' remuneration  |  |  |
| Audit services – UK (Parent Company's auditors)                     | 0.2  | 0.2  |
| – Overseas  | 0.1  | 0.1  |
| Depreciation of fixed assets:                                       |  |  |
| Owned   | 1.2  | 1.5  |
| Amounts paid in respect of operating leases for plant and machinery | 0.3  | 0.5  |
| Gains on foreign currency borrowings                                | 0.1  | 0.4  |

The Parent Company's auditors received fees for non audit services totalling £73,080 (2007 : £30,250), including £54,500 (2007 : £25,000) in relation to the sale of the Leisure Division, £15,000 (2007 : £nil) in relation to the sale of Grundig and Roadstar, £3,580 (2007 : £1,550) in relation to company secretarial legal services and £nil (2007 : £3,700) in respect of the audit of the Group's UK pension scheme.

|   | for the<br>year ended<br>31 March<br>2008<br>£'millions | for the<br>year ended<br>31 March<br>2007<br>£'millions |
|---|---|---|
| <b>6 Employee Information</b>   |   |   |
| Staff Costs (including Directors) were:   |   |   |
| Wages and salaries  | 15.9  | 24.3  |
| Social security costs   | 1.5   | 2.1   |
| Pension contributions   | 0.7   | 0.9   |
| Share based payments  | –   | 0.1   |
|   | <b>18.1</b>   | <b>27.4</b>   |
| Key management, consisting of the Main Board Directors and the Directors of the UK subsidiary companies, received the following compensation: |   |   |
| Wages and salaries  | 2.3   | 4.0   |
| Compensation for loss of office   | –   | 0.2   |
| Pensions  | 0.2   | 0.3   |
| Benefits  | 0.1   | 0.3   |
| Share based payments  | –   | 0.1   |
|   | <b>2.6</b>  | <b>4.9</b>  |
|   | <b>Number</b>   | Number  |
| The average number of persons employed by the Group (including Directors) during the year was as follows:                                     |   |   |
| Selling and administration  | 210   | 345   |
| Warehousing, distribution and manufacturing   | 277   | 477   |
|   | <b>487</b>  | <b>822</b>  |

Details of Directors' emoluments in aggregate for each Director and share options are given in the Remuneration Report on pages 16 to 21.

|   | for the<br>year ended<br>31 March<br>2008<br>£'millions | for the<br>year ended<br>31 March<br>2007<br>£'millions |
|---|---|---|
| <b>7 Taxation</b>   |   |   |
| The tax charge/(credit) comprises:  |   |   |
| UK corporation tax on profits for the year at 30% (2007 : 30%)  | –   | –   |
| Adjustments for previous periods  | –   | (5.5)   |
|   | –   | (5.5)   |
| Non-UK taxation   | <b>0.5</b>  | 1.1   |
| Total current taxation  | <b>0.5</b>  | (4.4)   |
| Deferred tax: Origination and reversal of temporary timing differences  | <b>0.2</b>  | (1.8)   |
| Adjustments in respect of prior years   | <b>(0.2)</b>  | –   |
| Total taxation charge/(credit) in the income statement  | <b>0.5</b>  | (6.2)   |
| Factors affecting taxation charge/(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: |   |   |
| Profit/(loss) on ordinary activities  | <b>17.3</b>   | (44.0)  |
| Notional tax charge/(credit) at UK rate of 30% (2007 : 30%)   | <b>5.2</b>  | (13.2)  |
| Effects of:   |   |   |
| Share of results of joint venture   | –   | 4.7   |
| Non allowable and non taxable items   | <b>1.5</b>  | 0.4   |
| Disposal of discontinued activities   | <b>(12.9)</b>   | –   |
| Tax losses not recognised   | <b>7.1</b>  | 6.4   |
| Different tax rates on non-UK profits   | <b>(0.2)</b>  | 0.3   |
| Adjustments to tax charges for previous periods:  |   |   |
| UK corporation tax  | –   | (4.8)   |
| UK deferred tax   | <b>(0.2)</b>  | –   |
| Total taxation charge/(credit)  | <b>0.5</b>  | (6.2)   |
| Tax on items (credited)/charged to equity:  |   |   |
| Deferred tax relating to revaluation of property  | <b>(1.1)</b>  | 1.4   |
| Total taxation on items taken directly to equity  | <b>(1.1)</b>  | 1.4   |

## 8 Profit/(loss) for the period from discontinuing activities

Profit/(loss) for the period from discontinuing activities comprise:

|                      | Notes | Year ended<br>31 March<br>2008<br>£'millions | Year ended<br>31 March<br>2007<br>£'millions |
|----------------------|-------|--|--|
| Loss from operations | (i)   | <b>(16.9)</b>                                | (21.7)                                       |
| Gain on disposal     | (ii)  | <b>43.4</b>                                  | –  |
|                      |       | <b>26.5</b>                                  | (21.7)                                       |

During the year ended 31 March 2008, the Group:

- 1) disposed of its Leisure Division for £51.5 million;
- 2) disposed of its 50% interest in Grundig for an initial consideration of €35 million;
- 3) disposed of its Roadstar European operation for €1; and
- 4) ceased trading in several of its UK Consumer Electronics businesses including Roadstar UK, the telecoms division and the sale of “lead in” Consumer Electronics under the Bush and Alba brand names.

(i) Profit/(loss) for the period from discontinuing operations may be analysed as follows:

|                                       | Year ended 31 March 2008          |                        |                                     |                     | Year ended 31 March 2007          |                        |                                     |                     |
|---------------------------------------|-----------------------------------|------------------------|-------------------------------------|---------------------|-----------------------------------|------------------------|-------------------------------------|---------------------|
|                                       | Leisure<br>Division<br>£'millions | Roadstar<br>£'millions | Discontinued<br>UK CE<br>£'millions | Total<br>£'millions | Leisure<br>Division<br>£'millions | Roadstar<br>£'millions | Discontinued<br>UK CE<br>£'millions | Total<br>£'millions |
| Revenue                               | 34.4                              | 6.8                    | 108.9                               | 150.1               | 129.2                             | 27.0                   | 185.5                               | 341.7               |
| Cost of sales                         | (29.9)                            | (6.3)                  | (108.6)                             | (144.8)             | (98.3)                            | (24.8)                 | (188.4)                             | (311.5)             |
| Gross profit                          | 4.5                               | 0.5                    | 0.3                                 | 5.3                 | 30.9                              | 2.2                    | (2.9)                               | 30.2                |
| Net operating expenses                | (5.6)                             | (1.8)                  | (7.9)                               | (15.3)              | (20.3)                            | (5.0)                  | (10.3)                              | (35.6)              |
| Operating (loss)/profit               | (1.1)                             | (1.3)                  | (7.6)                               | (10.0)              | 10.6                              | (2.8)                  | (13.2)                              | (5.4)               |
| Finance costs                         | –                                 | (0.1)                  | –                                   | (0.1)               | –                                 | (0.3)                  | –                                   | (0.3)               |
| Total operating<br>(Loss)/profit      | (1.1)                             | (1.4)                  | (7.6)                               | (10.1)              | 10.6                              | (3.1)                  | (13.2)                              | (5.7)               |
| Shares of results of<br>joint venture | –                                 | –                      | (6.8)                               | (6.8)               | –                                 | –                      | (16.0)                              | (16.0)              |
| (Loss)/profit before tax              | (1.1)                             | (1.4)                  | (14.4)                              | (16.9)              | 10.6                              | (3.1)                  | (29.2)                              | (21.7)              |
| Tax                                   | –                                 | –                      | –                                   | –                   | (3.2)                             | –                      | 3.2                                 | –                   |
| (Loss)/profit for period              | (1.1)                             | (1.4)                  | (14.4)                              | (16.9)              | 7.4                               | (3.1)                  | (26.0)                              | (21.7)              |

(ii) Gain/(loss) on disposal of discontinuing operations may be analysed as follows:

|  | Leisure Division<br>£'millions | Roadstar<br>£'millions | Grundig<br>£'millions | Total<br>£'millions |
|--|--------------------------------|------------------------|-----------------------|---------------------|
| Non-current assets   | 0.9                            | -                      | 5.2                   | 6.1                 |
| Current assets   | 34.8                           | 3.0                    | 3.2                   | 41.0                |
| Current liabilities  | (9.7)                          | (3.0)                  | -                     | (12.7)              |
| Net assets disposed of   | 26.0                           | -                      | 8.4                   | 34.4                |
| Attributable goodwill  | 1.2                            | -                      | -                     | 1.2                 |
|  | 27.2                           | -                      | 8.4                   | 35.6                |
| Profit/(loss) on disposal  | 20.4                           | (0.2)                  | 23.2                  | 43.4                |
| Total consideration net of costs etc                               | 47.6                           | (0.2)                  | 31.6                  | 79.0                |
| Satisfied and to be satisfied by cash, and net cash inflow arising | 47.6                           | (0.2)                  | 31.6                  | 79.0                |

Of the £79.0 million, £70.8 million had been received prior to the year end and a further £1.2 million has been received since the year end. A further £7.0 million, representing the expected earn out from the sale of the Group's share in Grundig, is included in other receivables and is expected to be received over the period from 2009 up to 2013. £1.5 million of this amount is expected to be received within one year.

Net-assets disposed of in Grundig of £8.4 million, include £3.2 million of inter-company debt waived as part of disposal.

## Notes to the Accounts

(iii) The net cash flow attributable to the operating, investing and financing activities of these operations were:

|  | Year ended 31 March 2008          |                        |                                     |                     | Year ended 31 March 2007          |                        |                                     |                     |
|--|-----------------------------------|------------------------|-------------------------------------|---------------------|-----------------------------------|------------------------|-------------------------------------|---------------------|
|  | Leisure<br>Division<br>£'millions | Roadstar<br>£'millions | Discontinued<br>UK CE<br>£'millions | Total<br>£'millions | Leisure<br>Division<br>£'millions | Roadstar<br>£'millions | Discontinued<br>UK CE<br>£'millions | Total<br>£'millions |
| Cash flow from operating activities                  |                                   |                        |                                     |                     |                                   |                        |                                     |                     |
| Operating profit/(loss)                              | <b>(1.1)</b>                      | <b>(1.3)</b>           | <b>(7.6)</b>                        | <b>(10.0)</b>       | 10.6                              | (2.8)                  | (13.2)                              | (5.4)               |
| Adjustment for:                                      |                                   |                        |                                     |                     |                                   |                        |                                     |                     |
| Depreciation of property, plant & equipment          | <b>0.1</b>                        | –                      | –                                   | <b>0.1</b>          | 0.2                               | 0.1                    | –                                   | 0.3                 |
| (Increase)/decrease in receivables                   | <b>(3.5)</b>                      | <b>5.9</b>             | <b>30.4</b>                         | <b>32.8</b>         | (20.0)                            | 2.1                    | 2.9                                 | (15.0)              |
| Decrease/(increase) in inventories                   | <b>0.8</b>                        | <b>2.6</b>             | <b>33.9</b>                         | <b>37.3</b>         | 5.8                               | 4.1                    | 13.5                                | 23.4                |
| Increase/(decrease) in payables                      | <b>4.1</b>                        | <b>(2.8)</b>           | <b>(60.2)</b>                       | <b>(58.9)</b>       | 3.7                               | (1.1)                  | (2.8)                               | (0.2)               |
| Net cash from operating activities                   | <b>0.4</b>                        | <b>4.4</b>             | <b>(3.5)</b>                        | <b>1.3</b>          | 0.3                               | 2.4                    | 0.4                                 | 3.1                 |
| Cash flow from investing activities                  |                                   |                        |                                     |                     |                                   |                        |                                     |                     |
| Purchase of property, plant and equipment (net)      | <b>(0.4)</b>                      | <b>0.5</b>             | –                                   | <b>0.1</b>          | (0.3)                             | –                      | –                                   | (0.3)               |
| Net cash flow used in investing activities           | <b>(0.4)</b>                      | <b>0.5</b>             | –                                   | <b>0.1</b>          | (0.3)                             | –                      | –                                   | (0.3)               |
| Net increase/(decrease) in cash and cash equivalents | –                                 | <b>4.9</b>             | <b>(3.5)</b>                        | <b>1.4</b>          | –                                 | 2.4                    | 0.4                                 | 2.8                 |
| Cash and cash equivalents at the beginning of period | –                                 | <b>(4.9)</b>           | <b>3.5</b>                          | <b>(1.4)</b>        | –                                 | (7.3)                  | 3.1                                 | (4.2)               |
| Cash and cash equivalents at the end of period       | –                                 | –                      | –                                   | –                   | –                                 | (4.9)                  | 3.5                                 | (1.4)               |

(iv) Non-current assets classified as held for resale at 31 March 2007 related 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:

|  | <b>31 March<br/>2008<br/>£'millions</b> | 31 March<br>2007<br>£'millions |
|--|---|--------------------------------|
| <b>Non-current assets</b>  |   |                                |
| Goodwill   | -                                       | 1.2                            |
| Property, plant and equipment  | -                                       | 0.5                            |
| <b>Total non-current assets</b>  | <b>-</b>                                | <b>1.7</b>                     |
| <b>Current assets</b>  |   |                                |
| Inventories  | -                                       | 11.0                           |
| Trade receivables and other receivables  | -                                       | 20.1                           |
| Tax recoverable  | -                                       | 0.1                            |
| <b>Total current assets</b>  | <b>-</b>                                | <b>31.2</b>                    |
| <b>Non-current assets classified<br/>as held for resale</b>                                      | <b>-</b>                                | <b>32.9</b>                    |
| <b>Current liabilities</b>   |   |                                |
| Trade and other payables   | -                                       | 7.4                            |
| Provisions   | -                                       | 2.2                            |
| <b>Total current liabilities</b>   | <b>-</b>                                | <b>9.6</b>                     |
| <b>Liabilities directly associated with non-current assets<br/>classified as held for resale</b> | <b>-</b>                                | <b>9.6</b>                     |
| <b>Total net assets</b>  | <b>-</b>                                | <b>23.3</b>                    |

## 9 Earnings per Ordinary Share

Basic earnings per share are based upon earnings of £16.8 million (2007 : £(37.8) million) and 50,715,787 (2007 : 50,588,939) Ordinary Shares being the weighted average number of Ordinary Shares in issue during the twelve months ended 31 March 2008 excluding the shares held by The Alba plc ESOP Trust. Basic earnings per share on continuing activities are based upon earnings of £(9.6) million (2007 : £(13.9) million) and on discontinuing activities upon earnings of £26.4 million (2007 : £(23.9) million).

Diluted earnings per share are based upon earnings of £16.8 million (2007 : £(37.8) million) and 50,715,787 (2007 : 50,588,939) Ordinary Shares allowing for the exercise of outstanding share options exercisable at a price below the average fair 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 £(9.6) million (2007 : £(13.9) million) and on discontinuing activities upon earnings of £26.4 million (2007 : £(23.9) million).

Potential Ordinary Shares of 674,632 (2007 : 666,654) have been excluded from the computation of diluted EPS as the shares are anti-dilutive.

| <b>10 Dividends</b>   | <b>for the<br/>year ended<br/>31 March<br/>2008<br/>£'millions</b> | <b>for the<br/>year ended<br/>31 March<br/>2007<br/>£'millions</b> |
|---|--|--|
| Interim payable in respect of prior year 2.25p (2007 : 2.25p) | 1.1  | 1.1  |
| Final paid in respect of prior year nil (2007 : 8.75p)        | –  | 4.5  |
|   | <b>1.1</b>   | <b>5.6</b>   |

The Company paid an interim dividend of 2.25p (2007 : 2.25p) net per Ordinary Share on 24 April 2007 to shareholders on the register at 31 March 2007. There were 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 had been no impairment in value during the period. As Pulse formed part of the Leisure Division it was included in non-current assets classified as held for resale as at 31 March 2007. The movement in the period may be reconciled as follows:

|   | <b>Group<br/>31 March<br/>2008<br/>£'millions</b> | <b>Group<br/>31 March<br/>2007<br/>£'millions</b> |
|---|---|---|
| At 1 April 2007   | –   | 1.2   |
| Transferred to non-current assets classified as held for resale | –   | (1.2)   |
| At 31 March 2008  | –   | –   |

| <b>12 Property, plant and equipment</b> | Freehold<br>Property<br>£'millions | Leasehold<br>Land and<br>Buildings<br>£'millions | Furniture,<br>Fixtures and<br>Equipment<br>£'millions | Motor<br>Vehicles<br>£'millions | Total<br>£'millions |
|---|------------------------------------|--|---|---------------------------------|---------------------|
| Group:                                  |                                    |  |   |                                 |                     |
| Cost                                    |                                    |  |   |                                 |                     |
| At 1 April 2007                         | 12.6                               | 15.1   | 9.6   | 0.8                             | 38.1                |
| Additions                               | -                                  | -  | 0.2   | -                               | 0.2                 |
| Disposals                               | -                                  | (1.1)  | (1.8)   | (0.3)                           | (3.2)               |
| Revaluation                             | (3.0)                              | (3.8)  | -   | -                               | (6.8)               |
| At 31 March 2008                        | 9.6                                | 10.2   | 8.0   | 0.5                             | 28.3                |
| Aggregate depreciation                  |                                    |  |   |                                 |                     |
| At 1 April 2007                         | 1.2                                | 1.8  | 7.2   | 0.7                             | 10.9                |
| Amount provided                         | 0.2                                | 0.3  | 0.7   | -                               | 1.2                 |
| Elimination on disposal                 | -                                  | (0.5)  | (1.7)   | (0.2)                           | (2.4)               |
| Revaluation                             | (1.4)                              | (1.6)  | -   | -                               | (3.0)               |
| At 31 March 2008                        | -                                  | -  | 6.2   | 0.5                             | 6.7                 |
| Net book value                          |                                    |  |   |                                 |                     |
| At 31 March 2008                        | 9.6                                | 10.2   | 1.8   | -                               | 21.6                |
| 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                |

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. They have subsequently been revalued by the Directors as at 31 March 2008 on the basis of the estimated Market Value at that date. Had the properties not been revalued, the carrying amount that would have been recognised at 31 March 2008 would have been:

|                              | £'millions |
|------------------------------|------------|
| Freehold Property            | 5.3        |
| Leasehold Land and Buildings | 9.3        |

## 13 Investment in joint venture

The Group had a 50% interest in Grundig Multimedia BV ("Grundig") which it sold on 31 March 2008.

|                              | <b>Group<br/>31 March<br/>2008<br/>£'millions</b> | Group<br>31 March<br>2007<br>£'millions |
|------------------------------|---|---|
| At 1 April 2007              | <b>12.0</b>                                       | 28.0                                    |
| Share of loss after taxation | <b>(6.8)</b>                                      | (16.0)                                  |
| Sold during year             | <b>(5.2)</b>                                      | -                                       |
| At 31 March 2008             | <b>-</b>  | 12.0                                    |

The Group's share of the trading of Grundig for the period ending 31 March 2008 and its share of the assets of Grundig as at 31 March 2008 may be summarised as follows:

|   |                |         |
|---|----------------|---------|
| Revenue   | <b>132.9</b>   | 119.8   |
| Less: 50% of Group sales to Grundig                     | <b>(4.9)</b>   | (7.6)   |
| Income  | <b>128.0</b>   | 112.2   |
| Expenses  | <b>(133.9)</b> | (128.3) |
| Loss before tax   | <b>(5.9)</b>   | (16.1)  |
| Taxation  | <b>(0.9)</b>   | 0.1     |
| Loss after taxation                                     | <b>(6.8)</b>   | (16.0)  |
| Goodwill  | -              | 1.8     |
| Non current assets                                      | -              | 8.1     |
| Current assets  | -              | 40.6    |
|   | -              | 50.5    |
| Creditors: amounts falling due within one year          | -              | (36.3)  |
| Creditors: amounts falling due after more than one year | -              | (2.2)   |
| Total net assets  | <b>-</b>       | 12.0    |

The Group's turnover for the year includes £9.8 million (2007 : £15.2 million) of sales to Grundig and at 31 March 2008, Grundig owed the Group £0.8 million (2007 : £5.9 million) in respect of these sales.

## 14 Investments

Investments in Subsidiaries:

|   | <b>Company<br/>31 March<br/>2008<br/>£'millions</b> | Company<br>31 March<br>2007<br>£'millions |
|---|---|---|
| Shares at cost at beginning of year         | <b>25.0</b>   | 25.0                                      |
| Sold during year                            | <b>(11.9)</b>                                       | -   |
| Shares at cost at beginning and end of year | <b>13.1</b>   | 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 Broadcasting Corporation Ltd         | England  | 100               | 100 £1 ordinary shares   | Audio, video, telecoms and consumer electronic equipment importer and distributor |
| Alba Radio Limited                        | England  | 100               | 521,004 £1 ordinary shares   |   |
| Bush Radio plc                            | England  | 100               | 9,400,000 10p ordinary shares  |   |
| Goodmans Industries Limited               | England  | 100               | 400,000 £1 ordinary shares<br>700,000 £1 redeemable ordinary shares                |   |
| Grundig Consumer Electronics Ltd          | England  | 100               | 113,208 £1 ordinary shares   |   |
| Harvard International Limited             | England  | 100               | 1,000 £1 ordinary shares   | Importer and distributor  |
| Held indirectly:                          |  |                   |  |   |
| Harvard Maritime Limited                  | Hong Kong  | 100               | 100,000,000 HK\$1 ordinary shares,<br>960,000,000 HK\$1 redeemable ordinary shares | Importer and exporter   |
| Harvard International (Hong Kong) Limited | Hong Kong  | 100               | 5,000 HK\$10 ordinary shares   | Inspection, sourcing and administration services                                  |
| Roadstar UK Limited                       | England  | 100               | 100,000 £1 ordinary shares   | Importer and distributor  |
| Bush Australia PTY Limited                | Australia  | 100               | 100,000 Aus\$1 shares  | Importer and distributor  |
| Grundig Australia PTY Limited             | Australia  | 100               | 1,000,001 Aus\$1 shares  | Importer and distributor  |
| Harvard Medical Devices Limited           | Hong Kong  | 100               | 1 HK\$1 ordinary share   | Distributor of medical electronic equipment                                       |
| Kinetik Limited                           | Hong Kong  | 80                | 100 HK\$1 ordinary shares  | Distributor of medical electronic equipment                                       |
| Sonetik Limited                           | Hong Kong  | 75                | 100 HK\$1 ordinary shares  | Distributor of hearing aids   |

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.

| <b>15 Inventories</b> | <b>Group<br/>31 March<br/>2008<br/>£millions</b> | Group<br>31 March<br>2007<br>£millions |
|-----------------------|--|--|
| Goods for resale      | <b>19.3</b>                                      | 40.8                                   |
| Stock in transit      | <b>3.4</b>                                       | 2.4                                    |
|                       | <b>22.7</b>                                      | 43.2                                   |

The cost of inventories recognised as an expense and included in the income statement in cost of sales amounted to £160.5 million (2007 : £219.0 million). In 2008 £1.9 million (2007 : £4.8 million) of inventory provisions were charged in the income statement. The cost of stocks include interest of £0.1 million (2007 : £0.2 million). Approximately £3 million (2007 : £40 million) of this stock is pledged as security against the specific bank import advance.

| <b>16 Trade and other receivables</b> | <b>Group<br/>31 March<br/>2008<br/>£'millions</b> | Group<br>31 March<br>2007<br>£'millions | <b>Company<br/>31 March<br/>2008<br/>£'millions</b> | Company<br>31 March<br>2007<br>£'millions |
|---------------------------------------|---|---|---|---|
| Trade debtors                         | <b>13.7</b>                                       | 40.1                                    | -   | -   |
| Amounts owed by subsidiaries          | -   | -                                       | <b>102.6</b>  | 34.5                                      |
| Other debtors                         | <b>3.4</b>  | 2.3                                     | -   | 0.8                                       |
| Value Added Tax                       | <b>2.8</b>  | -                                       | -   | -   |
| Prepayments and accrued income        | <b>2.9</b>  | 4.7                                     | -   | -   |
|                                       | <b>22.8</b>                                       | 47.1                                    | <b>102.6</b>  | 35.3                                      |

Trade and other debtors are shown after deducting a provision for impairment of £5.0 million (2007 : £6.1 million). The credit to the income statement was £1.1 million (2007 : £2.6 million credit). The decrease in the trade debtor impairment charge reflects the application of the Group's provisioning policy in respect of bad and doubtful debts.

The Directors consider that the carrying amount of trade and other debtors approximates their fair value. There is no concentration of credit risk with respect to the trade debtors as the Group has a large number of customers.

As at 31 March 2008, trade and other debtors outside their payment terms yet not provided for are as follows:

|             | Total<br>£'millions | Within credit terms<br>£'millions | 0-1 month<br>£'millions | 1-2 months<br>£'millions | More than 2 months<br>£'millions |
|-------------|---------------------|-----------------------------------|-------------------------|--------------------------|----------------------------------|
| <b>2008</b> | <b>13.7</b>         | <b>13.2</b>                       | <b>0.2</b>              | <b>0.2</b>               | <b>0.1</b>                       |
| 2007        | 40.1                | 38.4                              | 0.8                     | 0.5                      | 0.4                              |

Outside credit terms but not impaired

| <b>17 Financial risk management and financial instruments</b> | <b>Group<br/>31 March<br/>2008<br/>£'millions</b> | Group<br>31 March<br>2007<br>£'millions |
|---|---|---|
| Financial liabilities - derivative financial instruments      | <b>0.1</b>  | 2.8                                     |

At the year end forward foreign exchange contracts with a fair value of £0.1 million loss (2007 : £2.8 million loss) were designated as cash flow hedges and as such the loss did not go through the income statement.

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

Current:

|                      |            |      |
|----------------------|------------|------|
| Bank overdrafts      | -          | 12.7 |
| Bank import advances | <b>2.8</b> | 40.2 |
|                      | <b>2.8</b> | 52.9 |

Notes:

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

## Hedging transactions

Alba plc used to hedge 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. This bank loan was repaid during the year. There was 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 2007.

## 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 several banks, the Group can utilise this competitive situation to ensure that all banks lend on the 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 2008 amount to a loss of £0.1 million (2007 : £2.8 million). The fair value of the loss has been recognised directly in equity at the year end.

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 now has overseas subsidiary companies operating in 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 assets/(liabilities) at 31 March 2008, excluding short term debtors and creditors were:

| Currency  | 31 March<br>2008<br>£'millions | 31 March<br>2007<br>£'millions |
|-----------|--------------------------------|--------------------------------|
| Sterling  | 28.2                           | (36.6)                         |
| US Dollar | (2.8)                          | (11.3)                         |
| HK Dollar | -                              | (0.1)                          |
| Euro      | -                              | (4.4)                          |
|           | <b>25.4</b>                    | <b>(52.4)</b>                  |

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 2008 the exposures were as follows:-

| Functional<br>currency of<br>Group<br>operation | Net foreign currency monetary assets/(liabilities) in £' millions |      |              |       |      |      |      |      |              |       |
|---|---|------|--------------|-------|------|------|------|------|--------------|-------|
|   | £   |      | US\$         |       | Euro |      | CHF  |      | TOTAL        |       |
|   | 2008  | 2007 | 2008         | 2007  | 2008 | 2007 | 2008 | 2007 | 2008         | 2007  |
| HK\$  | <b>(0.2)</b>  | 0.2  | <b>(2.8)</b> | (1.3) | -    | -    | -    | -    | <b>(3.0)</b> | (1.1) |
| US\$  | -   | -    | -            | -     | -    | 1.9  | -    | 0.1  | -            | 2.0   |
| £   | -   | -    | <b>(0.1)</b> | -     | -    | 0.8  | -    | -    | <b>(0.1)</b> | 0.8   |
|   | <b>(0.2)</b>  | 0.2  | <b>(2.9)</b> | (1.3) | -    | 2.7  | -    | 0.1  | <b>(3.1)</b> | 1.7   |

### 18 Trade and other payables

|                                    |             |
|------------------------------------|-------------|
| Trade creditors                    | <b>14.8</b> |
| Amounts owed to subsidiaries       | -           |
| Other creditors                    | <b>1.9</b>  |
| Other taxation and social security | <b>0.3</b>  |
| Accruals                           | <b>0.5</b>  |
| Value added tax                    | -           |
|                                    | <b>17.5</b> |

## Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 March 2008 was as follows:-

|   | 31 March<br>2008<br>£' millions | 31 March<br>2007<br>£' millions |
|---|---------------------------------|---------------------------------|
| In one year or less, or on demand                   | <b>2.8</b>                      | 52.9                            |
| In more than one year but less than two years       | -                               | -                               |
| In more than two years but less than three years    | -                               | -                               |
| In more than three years but less than four years   | -                               | -                               |
| In more than four years but less than five years    | -                               | -                               |
|   | <b>2.8</b>                      | 52.9                            |
| Less: amounts due for settlement<br>within one year | <b>(2.8)</b>                    | (52.9)                          |
| Non-current liabilities                             | -                               | -                               |

## Borrowing facilities

As at 31 March 2008 the Group had undrawn borrowings and trade finance related facilities of approximately £64 million, all of which is renewable within one year.

| Group<br>31 March<br>2008<br>£'millions | Group<br>31 March<br>2007<br>£'millions | Company<br>31 March<br>2008<br>£'millions | Company<br>31 March<br>2007<br>£'millions |
|---|---|---|---|
| <b>14.8</b>                             | 25.8                                    | -   | -   |
| -                                       | -                                       | <b>26.6</b>                               | 21.0                                      |
| <b>1.9</b>                              | 3.1                                     | <b>0.8</b>                                | -   |
| <b>0.3</b>                              | 0.4                                     | -   | -   |
| <b>0.5</b>                              | 1.0                                     | -   | -   |
| -                                       | 1.3                                     | -   | -   |
| <b>17.5</b>                             | 31.6                                    | <b>27.4</b>                               | 21.0                                      |

## Notes to the Accounts

| <b>19 Provisions</b>  | <b>Group<br/>31 March<br/>2008<br/>£'millions</b> | Group<br>31 March<br>2007<br>£'millions |
|---|---|---|
| Warranty provision:   |   |   |
| Balance at 1 April 2007   | <b>4.4</b>  | 5.8                                     |
| Charged to the Income statement   | <b>18.0</b>                                       | 28.2                                    |
| Utilised in year  | <b>(18.3)</b>                                     | (27.4)                                  |
| Transfer to liabilities directly associated with non-current assets classified as held for resale | –   | (2.2)                                   |
| Balance at 31 March 2008  | <b>4.1</b>  | 4.4                                     |

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.

| <b>20 Deferred Taxation</b>         | Excess<br>capital<br>allowances<br>£'millions | Property<br>revaluation<br>£'millions | Other<br>£'millions | Losses<br>£'millions | Total<br>£'millions |
|-------------------------------------|---|---------------------------------------|---------------------|----------------------|---------------------|
| At 1 April 2007                     | (0.2)   | 1.4                                   | (0.2)               | –                    | 1.0                 |
| (Credit)/charge to income statement | (0.2)   | –                                     | 0.2                 | –                    | –                   |
| Disposal of discontinued operations | 0.1   | –                                     | –                   | –                    | 0.1                 |
| Credit to equity                    | –   | (1.1)                                 | –                   | –                    | (1.1)               |
| At 31 March 2008                    | (0.3)   | 0.3                                   | –                   | –                    | –                   |
| Deferred tax (asset)                | (0.3)   | –                                     | –                   | –                    | (0.3)               |
| Deferred tax liability              | –   | 0.3                                   | –                   | –                    | 0.3                 |
| At 31 March 2008                    | (0.3)   | 0.3                                   | –                   | –                    | –                   |

At 31 March 2008 the Group had operating losses carried forward in respect of which no deferred tax assets were recognised amounting to £46.0 million (2007 : £38.9 million) and such losses comprise, in the main, UK tax losses. The Directors do not consider it appropriate to recognise any deferred tax asset to reflect the potential benefit arising from such timing differences as at 31 March 2008.

At the balance sheet date, the undistributed earnings of overseas subsidiaries capable of making a dividend was £27.7 million (2007: £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.

| <b>21 Called up Share Capital</b>   | <b>Group and<br/>Company<br/>31 March<br/>2008<br/>£'millions</b> | Group and<br>Company<br>31 March<br>2007<br>£'millions |
|---|---|--|
| Authorised:   |   |  |
| 60,000,000 Ordinary Shares of 10p each<br>(2007 : 60,000,000 Ordinary Shares of 10p each) | <b>6.0</b>  | 6.0  |
| At 31 March 2007 and 2008 (51,256,685 Ordinary Shares of 10p each)                        | <b>5.1</b>  | 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 Executive Directors and 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 performance targets over a three year period prior to exercise, details of which are set out in the Remuneration Report on pages 16 to 21. 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 18 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.

No Ordinary Shares were issued under any of the share option schemes either during the year or subsequent to the year end.

Options over the Company's share capital under the Alba plc 1996 Executive Share Option Schemes and the Alba plc 1996 Savings-Related Share Option Schemes at 31 March 2008 were as follows:

| No of shares | Option price | Exercisable between     | No of shares | Option price | Exercisable between  |
|--------------|--------------|-------------------------|--------------|--------------|----------------------|
| 22,897       | 772.5p       | 20/7/2003 - 19/7/2010   | 18,756       | 248p         | 1/9/2008 - 28/2/2009 |
| 30,466       | 305p         | 25/6/2004 - 24/6/2011   | 10,729       | 350p         | 1/2/2010 - 31/7/2010 |
| 28,034       | 305p         | 25/6/2004 - 24/6/2008   | 2,261        | 636p         | 1/9/2009 - 28/2/2010 |
| 69,089       | 437.5p       | 16/12/2005 - 15/12/2012 | 11,312       | 313.2p       | 1/9/2008 - 28/2/2009 |
| 72,411       | 437.5p       | 16/12/2005 - 15/12/2009 | 7,596        | 313.2p       | 1/9/2010 - 28/2/2011 |
| 69,900       | 752.5p       | 14/7/2007 - 13/7/2014   | 3,035        | 313.2p       | 1/9/2012 - 28/2/2013 |
| 112,600      | 752.5p       | 14/7/2007 - 13/7/2011   | 432,576      | 62.4p        | 1/3/2011 - 31/8/2011 |
| 51,441       | 373p         | 1/7/2008 - 30/6/2015    | 225,823      | 62.4p        | 1/3/2013 - 31/8/2013 |
| 271,059      | 373p         | 1/7/2008 - 30/6/2012    | 158,577      | 62.4p        | 1/3/2015 - 31/8/2015 |
| 190,955      | 73.25p       | 8/1/2011 - 7/1/2018     |              |              |                      |
| 614,045      | 73.25p       | 8/1/2011 - 7/1/2015     |              |              |                      |

## Notes to the Accounts

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:-

|  | <b>2008<br/>Number<br/>of share<br/>options</b> | <b>2008<br/>Weighted<br/>average<br/>exercise<br/>price<br/>£</b> | 2007<br>Number<br>of share<br>options | 2007<br>Weighted<br>average<br>exercise<br>price<br>£ | 2006<br>Number<br>of share<br>options | 2006<br>Weighted<br>average<br>exercise<br>price<br>£ |
|--|---|---|---------------------------------------|---|---------------------------------------|---|
| Outstanding at the beginning of the year   | <b>1,332,460</b>                                | <b>4.76</b>   | 1,714,453                             | 4.50  | 1,361,723                             | 4.85  |
| Granted during the year                    | <b>1,623,822</b>                                | <b>0.68</b>   | -                                     | -   | 700,916                               | 3.55  |
| Exercised during the year                  | -   | -   | (1,306)                               | 2.48  | (158,225)                             | 2.79  |
| Lapsed during the year                     | <b>(552,720)</b>                                | <b>4.75</b>   | (380,687)                             | 3.58  | (189,961)                             | 4.99  |
| Outstanding at the end of the year         | <b>2,403,562</b>                                | <b>2.00</b>   | 1,332,460                             | 4.76  | 1,714,453                             | 4.50  |
| Options exercisable at the end of the year | <b>81,397</b>                                   | <b>4.37</b>   | 129,563                               | 4.85  | 155,272                               | 4.77  |

The weighted average share price at the date of exercise for share options exercised during the year was £nil (2007: £2.48 : 2006: £4.25)

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

| Range of exercise prices £ | <b>2008<br/>Number<br/>of share<br/>options</b> | <b>2008<br/>Weighted<br/>average<br/>contractual<br/>life<br/>Years</b> | 2007<br>Number<br>of share<br>options | 2007<br>Weighted<br>average<br>contractual<br>life<br>Years | 2006<br>Number<br>of share<br>options | 2006<br>Weighted<br>average<br>contractual<br>life<br>Years |
|----------------------------|---|---|---------------------------------------|---|---------------------------------------|---|
| 0 to 5                     | <b>2,195,904</b>                                | <b>5.50</b>   | 964,238                               | 4.59  | 1,298,437                             | 5.05  |
| 5 to 10                    | <b>207,658</b>                                  | <b>4.72</b>   | 368,222                               | 5.05  | 416,016                               | 5.93  |

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

|   | <b>for the<br/>year ended<br/>31 March<br/>2008<br/>£'millions</b> | for the<br>year ended<br>31 March<br>2007<br>£'millions |
|---|--|---|
| Charge to income statement (all equity settled) | -  | 0.1   |

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 | 08/01/2008 | 08/01/2008 |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Fair value (p)               | 157.6      | 178.8      | 27.1       | 307.1      | 139.3      | 158.7      | 25.0       | 28.8       |
| Share price at date of grant | 435        | 435        | 747.5      | 747.5      | 377.5      | 377.5      | 78.0       | 78.0       |
| Exercise price (p)           | 437.5      | 437.5      | 752.5      | 752.5      | 373        | 373        | 73.25      | 73.25      |
| Expected volatility          | 36%        | 36%        | 36%        | 36%        | 36%        | 36%        | 36%        | 36%        |
| Expected life (years)        | 4.25       | 5.4        | 4.25       | 5.4        | 4.25       | 5.4        | 4.25       | 4.25       |
| Risk free rate               | 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%        |

#### 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 | 01/03/2008 | 01/03/2008 | 01/03/2008 |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Fair value (p)               | 171.1      | 207        | 235        | 295.1      | 359.9      | 410.4      | 158.4      | 190.8      | 215.1      | 44.9       | 51.5       | 56.9       |
| Share price at date of grant | 429        | 429        | 429        | 760        | 760        | 760        | 390.5      | 390.5      | 390.5      | 93.5       | 93.5       | 93.5       |
| Exercise price (p)           | 350        | 350        | 350        | 636        | 636        | 636        | 313.2      | 313.2      | 313.2      | 62.4       | 62.4       | 62.4       |
| Expected volatility          | 36%        | 36%        | 36%        | 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%      | 4.85%      | 4.85%      | 4.85%      |
| Forfeiture rate              | 14%        | 14%        | 14%        | 14%        | 14%        | 14%        | 14%        | 14%        | 14%        | 14%        | 14%        | 14%        |

#### LTIP's

| Date of grant                 | 01/07/2005 | 01/07/2006 |
|-------------------------------|------------|------------|
| Number of shares under option | 174,640    | 343,834    |
| Fair value (p)                | 3.26       | 1.79       |
| Share price at date of grant  | 377.5      | 207        |
| Exercise price (p)            | 0          | 0          |
| Expected volatility           | 36%        | 36%        |
| Expected life (years)         | 3          | 3          |
| Risk free rate                | 4.85%      | 4.85%      |
| Forfeiture rate               | 0%         | 0%         |

Note: dividend yields were not incorporated into the calculation.

## Notes to the Accounts

| <b>22 Reserves</b>   | Share premium account<br>£'millions | Capital reserve<br>£'millions | Investment in own shares<br>£'millions | Translation reserve<br>£'millions | Revaluation reserve<br>£'millions | Hedging reserve<br>£'millions | Other reserves<br>£'millions | Retained earnings<br>£'millions |
|--|-------------------------------------|-------------------------------|--|-----------------------------------|-----------------------------------|-------------------------------|------------------------------|---------------------------------|
| <b>Group:</b>  |                                     |                               |  |                                   |                                   |                               |                              |                                 |
| At 1 April 2007  | 18.6                                | –                             | (2.3)                                  | (6.6)                             | 8.5                               | (0.9)                         | 1.7                          | 37.4                            |
| Exchange differences on translation of overseas operations         | –                                   | –                             | –                                      | (1.8)                             | –                                 | –                             | –                            | –                               |
| Transfer of accumulated exchange differences upon sale of Roadstar | –                                   | –                             | –                                      | 0.3                               | –                                 | –                             | –                            | (0.3)                           |
| Losses relating to designated hedges (net)                         | –                                   | –                             | –                                      | –                                 | –                                 | 2.7                           | –                            | –                               |
| Retained profit for the year                                       | –                                   | –                             | –                                      | –                                 | –                                 | –                             | –                            | 16.8                            |
| Property revaluation   | –                                   | –                             | –                                      | –                                 | (3.8)                             | –                             | –                            | –                               |
| Dividends paid   | –                                   | –                             | –                                      | –                                 | –                                 | –                             | –                            | (1.1)                           |
| Taxation on items taken directly to reserves                       | –                                   | –                             | –                                      | –                                 | 1.1                               | –                             | –                            | –                               |
| At 31 March 2008   | 18.6                                | –                             | (2.3)                                  | (8.1)                             | 5.8                               | 1.8                           | 1.7                          | 52.8                            |
| <b>Company:</b>  |                                     |                               |  |                                   |                                   |                               |                              |                                 |
| At 1 April 2007  | 18.6                                | 2.7                           | (2.3)                                  | –                                 | –                                 | –                             | 1.7                          | 13.5                            |
| Retained profit for the year                                       | –                                   | –                             | –                                      | –                                 | –                                 | –                             | –                            | 50.1                            |
| Dividends paid   | –                                   | –                             | –                                      | –                                 | –                                 | –                             | –                            | (1.1)                           |
| At 31 March 2008   | 18.6                                | 2.7                           | (2.3)                                  | –                                 | –                                 | –                             | 1.7                          | 62.5                            |

|  | Share<br>premium<br>account<br>£'millions | Capital<br>reserve<br>£'millions | Investment in<br>own shares<br>£'millions | Translation<br>reserve<br>£'millions | Revaluation<br>reserve<br>£'millions | Hedging<br>reserve<br>£'millions | Other<br>reserves<br>£'millions | Retained<br>earnings<br>£'millions |
|--|---|----------------------------------|---|--------------------------------------|--------------------------------------|----------------------------------|---------------------------------|------------------------------------|
| <b>Group:</b>  |   |                                  |   |                                      |                                      |                                  |                                 |                                    |
| At 1 April 2006  | 18.6                                      | -                                | (2.6)                                     | 1.7                                  | -                                    | (3.3)                            | 1.6                             | 81.1                               |
| Exchange differences<br>on translation of<br>overseas operations | -   | -                                | -   | (8.3)                                | -                                    | -                                | -                               | -                                  |
| Currency translation<br>difference on net<br>investment hedges   | -   | -                                | -   | -                                    | -                                    | 5.2                              | -                               | -                                  |
| Losses relating to<br>designated hedges (net)                    | -   | -                                | -   | -                                    | -                                    | (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<br>to reserves                  | -   | -                                | -   | -                                    | (1.4)                                | -                                | -                               | -                                  |
| At 31 March 2007   | 18.6                                      | -                                | (2.3)                                     | (6.6)                                | 8.5                                  | (0.9)                            | 1.7                             | 37.4                               |
| <b>Company:</b>  |   |                                  |   |                                      |                                      |                                  |                                 |                                    |
| 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 profit for the year                                     | -   | -                                | -   | -                                    | -                                    | -                                | -                               | (0.6)                              |
| 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. Profit on ordinary activities after taxation for the year of £50.1 million (2007 : £0.6 million 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, 518,474 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. In addition to the awards to Directors

as detailed on page 18, other executives were awarded a total of 21,033 shares on 1 July 2005 and 40,033 shares on 1 July 2006.

No awards were granted during the year ended 31 March 2008.

During the year ended 31 March 2008, in addition to the awards to Directors that lapsed as detailed on page 18, awards to other executives over 5,121 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.

| <b>23 Reconciliation of Movements in Consolidated Equity</b> | <b>Group<br/>year ended<br/>31 March<br/>2008<br/>£'millions</b> | <b>Group<br/>year ended<br/>31 March<br/>2007<br/>£'millions</b> | <b>Company<br/>year ended<br/>31 March<br/>2008<br/>£'millions</b> | <b>Company<br/>year ended<br/>31 March<br/>2007<br/>£'millions</b> |
|--|--|--|--|--|
| <b>Total recognised income/(expense) for the period</b>      | <b>15.0</b>  | (35.2)   | <b>50.1</b>  | (0.6)  |
| Dividends on equity shares                                   | (1.1)  | (5.6)  | (1.1)  | (5.6)  |
| Share based payments   | –  | 0.1  | –  | 0.1  |
| <b>Net increase/(decrease) in equity</b>                     | <b>13.9</b>  | (40.7)   | <b>49.0</b>  | (6.1)  |
| <b>Opening equity</b>  | <b>61.5</b>  | 102.2  | <b>39.3</b>  | 45.4   |
| <b>Closing equity</b>  | <b>75.4</b>  | 61.5   | <b>88.3</b>  | 39.3   |

#### 24 Note to the consolidated cash flow statement

|  | Note  | <b>Group<br/>year ended<br/>31 March<br/>2008<br/>£'millions</b> | <b>Group<br/>year ended<br/>31 March<br/>2007<br/>£'millions</b> |
|--|-------|--|--|
| <b>Cash flow from operating activities:</b>  |       |  |  |
| Operating loss from continuing operations    |       | <b>(9.9)</b>   | (22.1)   |
| Adjustment for:                              |       |  |  |
| Depreciation of property, plant & equipment  |       | <b>1.2</b>   | 1.5  |
| Operating loss from discontinuing operations | 8 (i) | <b>(10.0)</b>  | (5.4)  |
| IFRS 2 share option charge                   |       | –  | 0.1  |
| Decrease in receivables                      |       | <b>18.8</b>  | 14.6   |
| Decrease in inventories                      |       | <b>20.4</b>  | 37.2   |
| Decrease in payables                         |       | <b>(14.1)</b>  | (1.9)  |
| Cash flow from operating activities          |       | <b>6.4</b>   | 24.0   |
| <b>Net cash/(debt)</b>                       |       |  |  |
| Cash and cash equivalents                    |       | <b>28.2</b>  | (12.2)   |
| Bank import advances                         |       | <b>(2.8)</b>   | (40.2)   |
|  |       | <b>25.4</b>  | (52.4)   |

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

|  | Group<br>year ended<br>31 March<br>2008<br>£'millions | Group<br>year ended<br>31 March<br>2007<br>£'millions |
|--|---|---|
| <b>25 Analysis of net borrowings and reconciliation of cash flow to movement in net borrowings</b> |   |   |
| Cash   | 28.2  | 0.5   |
| Bank Overdrafts  | –   | (12.7)  |
| <b>Cash and cash equivalents</b>   | <b>28.2</b>   | <b>(12.2)</b>   |
| Bank import advances due within one year   | (2.8)   | (40.2)  |
| <b>Net cash/(borrowings) at end of period</b>  | <b>25.4</b>   | <b>(52.4)</b>   |
| <b>Reconciliation of net cash flow to movement in net borrowings</b>                               |   |   |
| Increase/(decrease) in cash and cash equivalents   | 41.3  | (5.3)   |
| Cash outflow from movement in net borrowings   | 37.4  | 22.8  |
| Translation difference   | (0.9)   | 1.4   |
| Decrease in net borrowings   | 77.8  | 18.9  |
| Net borrowings at beginning of the period  | (52.4)  | (71.3)  |
| Net cash/(borrowings) at end of the period   | 25.4  | (52.4)  |

## 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. (2007 : 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 2008 was £255,000 (2007 : £469,000) of which Nil (2007 : Nil) was applicable to the Company. The lease agreements provide that the Group will pay all insurance. The total rental (including interest) for the remainder of the leases is:

|                          | Group<br>year ended<br>31 March<br>2008<br>£'millions | Group<br>year ended<br>31 March<br>2007<br>£'millions |
|--------------------------|---|---|
| Within one year          | 0.1   | 0.4   |
| Within two to four years | 0.1   | 0.2   |
|                          | <b>0.2</b>  | <b>0.6</b>  |

- (c) The Company has guaranteed the borrowings of its subsidiary companies which total £2.8m (2007 : £52.9m).
- (d) Information on the Group's financial instruments is given in Note 17 on pages 53 to 55.

## 27 Contingent liabilities

Certain members of the MPEG2 Consortium have instigated legal proceedings against Alba plc in relation to alleged patent infringements in respect of MPEG2 enabled products. Alba has a number of defences to this action and intends to fight these allegations vigorously. Accordingly, no provision has been made in these accounts.

## 28 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 (2007 : £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 (2007 : £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:

|  | <b>Year ended<br/>31 March<br/>2008<br/>£'millions</b> | Year ended<br>31 March<br>2007<br>£'millions |
|--|--|--|
| Amounts (paid to)/received from subsidiaries in the year | <b>(62.5)</b>  | 6.9  |

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

iii) During 2007, the Company paid a management fee to Roadstar Management SA of £246,000 in respect of the management of its Mainland European operations. No such fees were paid this year or were outstanding at the year end (2007 : £nil).

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

v) Alba plc guarantees the borrowings of its subsidiaries.

## 29 Ultimate controlling party

The Group is not under the control of any one party.

### Independent Auditor's Report

We have audited the Group and Parent Company financial statements (the "financial statements") of Alba plc for the year ended 31 March 2008 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 31 March 2008 and of its profit for the year then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted 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 31 March 2008;

- 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.

#### **UHY Hacker Young LLP**

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28 July 2008





