The Real Good Food Company plc



Creating a recipe for success

ANNUAL REPORT & ACCOUNTS

For the year ended 31 December 2010



The Real Good Food Company plc

The Real Good Food Company plc is a leading UK Bakery, Ingredients and Sugar Group, offering a wide range of products to grocery retailers, wholesalers and manufacturers.

In fact, you may well be surprised at how many products, currently available on the high street contain one or more of our ingredients.

Investment Opportunities

The Real Good Food Company plc was incorporated in February 2003. Following the hive up of the subsidiary companies the Group launched onto AIM in September 2003 trading in the food sector. The Group will continue to develop its assets by focusing on product excellence, customer service and innovation.

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E200.1m **E2.34**

Total Group Sales

Profit before tax



RealProfit. RealInvestment. RealGrowth.

Highlights

Significant progress achieved across all businesses in the Group

Total Group sales down 7% to £200.1 million (2009: £215.6 million), solely due to reduced EU intervention price for sugar

Group EBITDA of £5.6 million in line with 2009 (2009: £5.6 million)

Profit before taxation and significant items increased to £2.34 million (2009: £2.15 million)

Improvement in earnings per share (Basic) to 2.3p (2009: 1.3p)

Continued reduction in net debt to £22.6 million from £24.1 million at the end of 2009



For more information go to www.realgoodfoodplc.com

Group EBIDTA Reduction in net debt by

£5.6m £1.5m

Reduction in net bank borrowings by

£1.3m

Group at a Glance

The Real Good Food Company plc ("the Group") owns the largest independent non-refining distributor of sugar in Europe (Napier Brown), and is a supplier of dairy ingredients (Garrett) and bakery ingredients (Renshaw) and is also a manufacturer of sweet bakery products (Haydens) for a range of major retail customers.



Napier Brown

Sources sugar from the UK, mainland Europe and around the world.

Packing and distributing a wide range of sugar for the industrial, retail and food service sectors.

Location: Normanton

Key Products/Brands:

Supplying customers throughout the industrial, retail and food service industry. Sugar is sourced from around the world and is distributed in a variety of formats from bulk tankers, right through to small retail packets and sachets.

The key consumer brand is Whitworths.

% of Group Turnover





Garrett Ingredients

Garrett Ingredients

A major player in the UK ingredients and bakery market supplying a full range of dairy and bakery ingredients, ice-cream mixes, sugar and milk.

Location: Thornbury, Bristol

Key Products/Brands:

Garrett's main operation is trading dairy ingredients alongside sugar. It also has access to the Group's dry blends manufacturing unit, now sited at Carluke. A range of Dairy mixes are produced here including bespoke blends for individual customers.

The business continues to diversify into other food manufacturing sectors such as bakery, ready meals and soft drinks .

% of Group Turnover



www.garrettingredients.co.uk

£200.1m Total Group Turnover



RealTaste. RealInnovation. RealInspiration.



Renshaw

A leading manufacturer supplying a range of high quality food ingredients primarily to the bakery sector both in the UK and abroad. Key areas of supply are craft bakers, manufacturers, grocery and specialist retailers. Renshaw has a reputation for quality, consistency and innovation.

Location: Liverpool, Carluke

Key Products/Brands:

Renshaw combines two major manufacturing sites. Liverpool is the leading producer of both sugarpaste and marzipan in the UK under the Renshaw brand. Carluke produces a high quality range under the R&W Scott brand.

Key Brands are Renshaw and R&W Scott. Product areas: Marzipan and Nut Products, Sugarpaste, Soft Icings, Caramel, Jam, Flavoured Coatings, Mallows (Blendesi) and Blends.

% of Group Turnover



www.renshawnapier.co.uk



Haydens Bakery

Produces an extensive variety of hand finished chilled and ambient premium patisserie and dessert products to discerning customers. These high quality products are exclusively created for world-leading customers in the UK retail and food service markets.

Location: Devizes, Wiltshire

Key Products/Brands:

Haydens' quality range is produced by an increasingly highly skilled team and the Business is one of the largest employers in the region.

The addition of a new facility during the year will greatly contribute to realising the potential of the Business highlighted in the three year plan. Once complete (Spring 2011) Haydens will be well placed to commence their operational strategy for the Manufacturing facility.

% of Group Turnover



www.haydensbakery.co.uk

Chairman's Statement

Pieter Totté



"All four businesses have made substantial progress during the year; Napier Brown has come through the difficult years of the EU sugar regime changes and is now well positioned with its supply arrangements to play an important role in the UK market; Garrett's has been relaunched as a standalone business and has quickly and successfully embarked on a growth strategy; Renshaw has delivered remarkably strong growth ahead of expectations both in the UK and Export while Haydens has continued to grow its sales while also progressing its restructuring plan."

Overview

As mentioned in my interim report, I expected this year to be a transitional year, but that I was delighted with the progress we were making. It is now very pleasing to be able to demonstrate this in our results for the year, with overall Group profitability in line with expectations and a further reduction of £1.5 million in our net debt.

For our sugar business this financial year has been the toughest ever in terms of margin as we were trading on the last stage of the EU sugar regime reform, with a reference price drop of 28% over the 2008 level. In the latest crop season, starting on 1 October 2010, we experienced improved volumes and margins and therefore finished the second half of the year better than the first half, and this has continued into the new financial year.

Our views regarding the market going forward, following the EU regime changes, have so far been vindicated. We felt that the market in the EU for the 2010-2011 campaign would be tight in supply and would therefore see price increases. During the final quarter of 2010, prices started to go up, albeit at a much higher level and faster than expected.

Our multiple sourcing plan, which we developed over this last year, has proven to be very beneficial as we have been able to repair our margins and we see that prices are likely to improve further during the course of 2011, particularly in the bagged sector. In our view the tightness of the market that we started to see in late 2010 will continue into 2011 and 2012. World shortages of sugar have been well reported and this, on top of the EU shortage, will add to the volatility in the market-place.

Within our sugar business, we decided to re-establish the separate identity of Garrett Ingredients, our dairy business, which has a name that is well known in the market. It has now been de-merged from Napier Brown and is being run as a separate standalone business. We are now starting to report and comment Garrett separately, in order to improve visibility.

Looking ahead we can see growth in this business through widening its product range and increasing the sales force to give it real national coverage. Tom Fowler, Managing Director, who joined the Company in March 2010, has developed a strong team and delivered an excellent set of results, with EBITDA of £1.2 million representing an increase of 10% year-on-year.

The business sees opportunities in widening its supplier base and is actively negotiating relationships and possible joint ventures across the UK, Eire, Europe and in particular Poland. I am confident that Tom and his team are building a very strong position for Garrett in its markets and will continue to grow this business.

We expected an improved performance at Renshaw, the bakery ingredients division, but with strong growth year-on-year driving an EBITDA increase of 67% to £5.5 million, the result has beaten our own best expectations. The product development team are planning a Renshaw-branded range to be introduced in the market-place and spent the largest part of their capacity this year on developing this range ahead of its planned launch in May 2011.

A particular focus on developing our export markets has proved highly successful, we reinforced our commercial and product development team during the year, and are planning to further develop our export management team in 2011. Currently we export to over 30 countries, with the US currently representing the largest part of our export business, accounting for 60% of export sales.

Haydens is continuing to grow its sales, reinforcing its supply position with its key customers and at the same time working on a very ambitious restructuring and refurbishing plan. The first major phase this year has been the signing of a lease for new premises adjacent to our existing bakery, which will increase our footprint by approximately 40% adding much needed capacity to our distribution part of the business, at the same time this will also free up space for manufacturing.

Opening is ahead of schedule, and is officially planned in May 2011. This will also initiate the start of the second phase which will improve the efficiency of manufacturing through the introduction of state of the art baking technology, tools and machinery. This ultimately will enable us to improve our profitability, expand our output and capability for new innovative products.





Outlook

All four businesses have made substantial progress during the year; Napier Brown has come through the difficult years of the EU sugar regime changes and is now well positioned with its supply arrangements to play an important role in the UK market; Garrett's has been relaunched as a standalone business and has quickly and successfully embarked on a growth strategy; Renshaw has delivered remarkably strong growth ahead of expectations both in the UK and export while Haydens has continued to grow its sales while also progressing its restructuring plan.

All four businesses understand their strengths and we will be looking to leverage these strengths through our brands, both industrial and consumer. In sugar we will refocus on our **Napier Brown** brand with its strong reputation in the industrial sector while developing our **Whitworths** consumer brand in retail; in our Dairy business we have resurrected the **Garrett** brand which again has a powerful heritage; in bakery ingredients we plan to extend the success of the **Renshaw** brand in the industrial sector into retail while also developing the **R&W Scott** brand in jam while **Haydens** continues to develop its reputation as a supplier of premium patisserie and desserts.

I would like to take this opportunity to thank all our employees across all the businesses for their considerable efforts over the past year without which we would not have achieved this substantial progress. The businesses all now have a clear vision and strategy and success in achieving our plans will be down to their continued support.

The businesses are all at exciting stages of their development and are well resourced with strong management teams who are focused on delivering the next phase of our growth plans. As such the Group is well placed to deliver further improvements in sales and profitability.

Pieter Totté

Chairman 12 April 2011



To see our corporate video go to www.realgoodfoodplc.com

FAST FACT...

40% increase

Haydens signed a lease to significantly increase total business footprint adding capacity to distribution

Napier Brown







"With multiple supply sources, the business is well positioned for growth."

Andrew Brown Marketing and Planning Director

Napier Brown continued



Napier Brown supplies a range of sugars in many formats to all major market sectors; large, medium and small industrial, wholesale, retail grocery and foodservice from its facilities at Normanton, near Leeds.

54.2%

of Total Group Turnover

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£'000s	£'000s
Revenue ¹	108,400	134,857
EBITDA	409	2,216
Operating profit ²	(80)	1,649
Operating profit %	_	1.2

¹ Excluding inter-Company trading.

The knock-on effects of the reform of the EU Sugar Regime continued to dominate the sugar market in 2010. We had always anticipated that following the reforms the market would change but both the speed at which these changes took place and the dramatic nature of them took all commentators by surprise.

The doubling of the world price for raw sugar between July and September 2010 meant that Europe, which following the sugar regime reforms has become a net importer, very quickly began to experience a shortage in sugar supply as the imports of cane sugar required to balance supply with demand within the EU failed to materialise, as world producers found local markets more attractive.

This shortage was then exacerbated by crop problems in certain countries, most particularly in the UK. These market changes caused us a number of challenges in the latter part of 2010 as suppliers either withdrew volumes and/or increased prices.

Margins remained tight for the majority of the year and though some price rises were experienced towards the end of the year, sourcing and logistics costs also increased. Industrial and wholesale volumes grew slightly during the year as customers recognised the value of spreading their risk by buying from more than one supplier.

2010 Highlight...

We have invested in our infrastructure at Normanton adding a new 25kg bagging line and shrinkwrap format for retail and wholesale customers.

Supply strategy

Two years ago the overwhelming majority of our purchases came from the UK. This has already begun to change but needs to develop further and we would envisage over 50% of our supply being imported by 2012. We have been extensively researching new supply sources and have entered into a number of new supply agreements, some of them exclusive. We plan to develop this process further during the course of the year.

² Normalised operating profit before interest, significant items and central costs.









Investing in infrastructure

In addition to these new sources, we are preparing ourselves to be able to receive, quality check and distribute sugar from different origins and in different formats as efficiently as possible. We are examining a number of innovative ideas as to how to distribute and offload bulk sugar.

We have also invested in our infrastructure at our Normanton site including a new 25kg bagging line and a shrinkwrap format for retail and wholesale during 2010. Future plans include upgrading our sugar processing equipment and developing new pack formats.

Developing our marketing

We increasingly recognise that we need to invest in communicating with the UK customer base the pivotal role which we believe we will play in the UK market in the coming years. Supply security will become all important and we plan to work with customers to achieve this. In retail, we have ambitious marketing plans for our Whitworths brand, the first phase of which will come to fruition later this year.

Looking forward

In early 2011 we were faced with substantial price increases imposed on us by our two main UK suppliers. We have managed successfully to pass on these increases in the market and, with our plans to broaden our supply base from next year, we will be able to deliver increased value and security of supply to our customers.

For 2011 and onwards we see our 'multi-sourcing' proposition becoming increasingly attractive. We believe that UK buyers will be looking for security of supply. The reduction in cane refining in the UK plus the recent beet crop issues will make the UK even more of an import market and with the shortage of sugar within Europe generally, our ability to offer alternative supply sources will be more important than ever.

Napier Brown is well positioned for growth with new supply arrangements being increasingly attractive in an under-supplied UK market. The business is now structured to manage customers in each market sector (bulk, industrial bags and retail) and will invest to deliver value added products and service as their needs demand.

Operational Viewpoint Normanton:

2010 saw significant progress on a number of fronts:

The computer system for managing the entire operation was upgraded and integrated with the Renshaw mainframe system, facilitating much improved visibility of financial performance and cost analysis. At an operational level the new system enabled the introduction of more powerful forecasting, planning and warehousing tools, along with an integrated MRP system. All this has helped to improve operational performance and working capital reductions.

Investment in appropriate management structure and training saw 25 NVQ certificates awarded with eight of the management team obtaining the IOSH Safety Certificate.

As part of the supply chain cost reduction initiative, our Runcorn warehouse for imported sugars was closed and stocks transferred to a refurbished and expanded on-site Normanton facility, with benefits accruing from consolidated storage, proximity of materials to production and reduction in double handling.

With the sugar market changes and the need to diversify our supply sources further afield, the challenge has been to find innovative, cost effective logistical solutions and during the last year a number of fruitful working partnerships have been developed.

Highlights:

- Flexible and customer focused product offerings
- More diversified supply position
- Streamlined supply chain
- Logistics strategy development for 2015
- Investment in updated and integrated systems
- Development of management tools to improve forecasting, planning, warehouse management leading to working capital reductions.
- Investment in training

Divisional ReviewGarrett Ingredients





Garrett Ingredients continued



Garrett Ingredients

Garrett Ingredients ("Garrett"), which is based at Thornbury, near Bristol, supplies a range of dairy powders, blends, and specialist ingredients, in addition to sugars to the ice cream and bakery industries.

12.8%

of Total Group Turnover

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£′000s	£'000s
Revenue ¹	25,584	24,706
EBITDA	1,182	1,088
Operating profit ²	1,182	1,088
Operating profit %	4.6	4.4

¹ Excluding inter-company trading.

This business made a significant recovery in 2010, growing both sales and margin, and was re-launched under its original name, Garrett Ingredients, in October 2010, to reflect the successful proposition and style of its considerable heritage in the dairy market. Under the leadership of Tom Fowler, who has now been appointed Managing Director, the management team has been developed and extended with a number of new appointments made to take advantage of the many growth opportunities available.

Garrett still has a strong presence supplying the ice cream industry, but has continued to diversify into other food manufacturing sectors such as bakery, ready meals and soft drinks manufacturers. The Company's main operation is trading dairy ingredients alongside sugar. It also has access to the Group's dry blends manufacturing unit, which is now sited at Carluke in Scotland, where a range of dairy mixes are produced, including bespoke blends for individual customers.

The business has also expanded its offering into other specialist ingredients thereby offering a 'One Stop Shop' solution to many customers. As well as leveraging better pricing, Garrett is well known for its technical knowledge and expertise and offers full product traceability.

Dairy markets

A combination of growing global demand and more frequent extreme weather events across the world has led to increased volatility in dairy markets in terms of both supply and price. Our strategy to meet this challenge, as with Napier Brown in sugar, is to look to increase the number of our supply partners across the UK, Eire and increasingly both Western and Eastern Europe.

² Normalised operating profit before interest, significant items and central costs.









2010 Highlight...

This business was successfully re-launched under its original name of Garrett ingredients.

Product range and customer base

Our growth strategy involves broadening both our product range and our customer base. As well as continuing to develop sales of existing products such as our award winning UHT Sunshine Ice Cream Mix, we are working with customers to identify specific ingredients which we can source on their behalf. We appointed a Business Development Manager, Paul Carlisle, during the year and he is now successfully introducing our proposition to a range of new customers and industry sectors.

Looking forward

Garrett Ingredients, with its entrepreneurial spirit and strong reputation for customer service, is well placed for growth by offering customers supply security and technical assurance in increasingly volatile markets.

Operational viewpoint

The Blending Plant

Not only was the Garrett Ingredients name re-launched in 2010, but the manufacturing plant for its blending operation was successfully relocated from the Napier sugar packing factory in Normanton to our Carluke Factory in Scotland.

This move, to a self contained production hall, in an "A" Grade, BRC accredited site has not only reduced complexity in our sugar packing facility, but has brought compatible product groups together in Carluke, and improved the capability of the unit.

Carluke has the capacity to blend approximately 10,000 tonnes of dry mixes, including a variety of dairy blends and cake mixes.

The plant has flexibility to pack into 6kg, 12.5kg, 15kg, 25kg or one tonne bags, and does so in one tonne batches with full allergen control in a dust-free environment.

Typically the plant will blend about 20 tonnes of product a day leaving plenty of spare capacity for the development of new products for the consumption of Garretts growing customer base.

Renshaw





Renshaw continued



Renshaw supplies a range of high quality food ingredients primarily to the bakery sector, comprising craft bakers and major cake manufacturers and also to grocery retailers. It operates two facilities, one in Liverpool and the other in Carluke, south-east of Glasgow.

21.4%

of Total Group Turnover

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£'000s	£'000s
Revenue ¹	42,793	34,964
EBITDA	5,455	3,260
Operating profit ²	4,575	2,493
Operating profit %	10.6	6.6

¹ Excluding inter-company trading.

2010 was a record year for Renshaw, with sales up by 13% to £43 million, significantly ahead of its three year growth plan. All sectors of the business performed ahead of expectations, with sugarpaste (icing) being a key driver across all sales channels. Our export business continued to expand: we now export to 31 countries globally, and exports will be a key focus in 2011.

Results from plans put in place at the beginning of 2010 have started to materialise and have had a positive impact on the overall performance of the business. In addition to growing the core areas of our business Renshaw has also expanded its presence in other categories in a response to the continuing interest in home baking.

The Scott brand which is manufactured in Carluke, Scotland, was relaunched as R&W Scott with a new "retro" image which highlights the heritage and small batch production methods of the factory. The two new quality ranges of Scottish 50% fruit jams and marmalades have been well received in the regional trade and also in the export market and plans are in place to build on this success. Promotion at trade shows and the Scottish Food Shows were well received.

Key challenges came in the form of commodity cost increases which affected the majority of our products and were either mitigated or recovered in the market place.

People

The commercial team has been strengthened with the introduction of a number of key personnel who will focus on continuing to drive innovation within the category from a branded perspective, whilst also responding to customers needs in the different channels. On the finance side, Graham Chellew has been promoted to Finance Director of Renshaw, and continues to improve internal reporting and financial measurement.

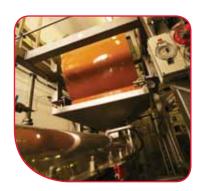
2010 Highlight...

Our export business continues to expand: we now export to 31 countries globally.

² Normalised operating profit before interest, significant items and central costs.









Plant

Realisation of new products and packaging has required investment in machinery for both production and packing and these have been implemented within the current factory environment. Increases in demand for core products have also been dealt with by adopting a flexible approach within the factory and developing multi-use areas.

Looking forward

The majority of the planning and work undertaken in 2010 will come to fruition in the second and third Quarters of the current year. To capitalise on the current trend of home baking and crafting, the Renshaw brand has been segmented into a Professional and a Consumer offering. Within the proposition are new and innovative products and packaging solutions which will deliver first to market presence in both the professional and consumer sectors.

With a complete marketing support package including online, advertising and public relations support, the brand presence of Renshaw will become strongly felt in the consumer marketplace in 2011. Continued sponsorship of industry events and a trade advertising programme will assure a maintained presence in the bakery area too. Increasing demand for our products abroad has led to a number of enquiries through our website and also an increased focus on export as an opportunity. Several geographical areas have been targeted for initial focus.

Operational viewpoint Liverpool and Carluke

Liverpool Factory

- A 25% YOY uplift in demand was met in full with improvement shown in customer service
- Investment in two new production lines, which came on stream through the year
- Management, Engineering and Operations staff were recruited and trained to accommodate 24hour working, with weekend support teams
- Ten Managers achieved the IOSH Safety Award
- 44 Employees trained to NVQ level 2 in Business Improvement techniques
- Supply chain improvements in forecasting, planning, kanbans, and supplier partnerships to reduce working capital

Carluke Factory

- Investment in both Industrial and Retail jam equipment in support of retail Brand developments.
- Systems upgrade to integrate planning and MRP II, facilitating working capital reductions
- Accommodation of a Napier blending operation to more productively utilise factory space
- Significant investment in upgraded refrigeration equipment for chocolate compound lines

Highlights:

- 25% uplift in year-on-year output
- New production lines to support volume increase
- Management, Engineering and staff development to support 24 hour manufacturing.
- Investment in business improvement training
- Development of systems and tools to improve performance and working capital
- Investment in Brand and New Product Development

Haydens Bakery







"Strong new product development once again aided record sales."

Paul Smith Managing Director

Haydens Bakery continued



Haydens Bakeries produces chilled and ambient premium patisserie and dessert products to retail grocery customers. It operates from a site in Devizes, Wiltshire.

11.7% of Total Group Turnover

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£′000s	£'000s
Revenue ¹	23,327	21,086
EBITDA	415	305
Operating profit ²	(238)	(394)
Operating profit %	(1.0)	(1.9)

¹ Excluding inter-company trading.

2010 witnessed a steady and seamless continuation of the restructuring at Haydens, as the foundations that were put in place the previous year have now been largely completed and the Executive team is now well placed to deliver its recovery plan. Strong new product development once again aided record sales for Haydens across all sectors, including the bakery, patisserie and dessert ranges. Overall sales were up by 10% and of particular note was the growth seen in the dessert ranges, where strong innovation provided growth in the order of 20%.

One of the key challenges facing the Business in 2010 was matching the growing expectations of the key Customers with available capacity. In July, the business was able to secure a long lease on an additional 30,000 sq feet of space in close proximity to the bakery. This equates to 40% additional footprint and will allow Hayden's to create a dedicated contract distribution site. The space freed up in the prime manufacturing area allows a significant development plan to commence in both refurbishment and the installation of new state of the art process lines.

Christmas, traditionally the peak trading period of the year, provided a 'best ever Christmas' for Haydens, in spite of poor weather conditions which changed purchasing habits over the festive period.

Last year, we reported on the start of our three year plan for the business and the formation of a very strong and talented senior team. I am delighted to report that we have made good progress across all four principal platforms of the plan.

People

The Haydens Executive Board was strengthened with the internal appointment of Stephen Brooks as Operations Director and most recently with Peter Dunn as Commercial Director. Heavy investment in training has resulted in the business having a stronger and highly committed workforce. Reductions in both temporary and agency staff has further led to an up-skilling at all levels of the Company.

2010 Highlight...

Overall sales were up by 10%... particular growth seen in dessert ranges... this was in the order of 20%.

² Normalised operating profit before interest, significant items and central costs.









Plant

The move of the Contract Distribution commenced with the acquisition of an additional site in July. The £800,000 capital investment will be completed by Easter 2011. The space released will allow the implementation of the operational strategy to proceed with the first of the new process lines to be installed during 2011.

Process

Work on integrating modern systems alongside 'hand crafting' skills continues to progress. System and procedural changes to stock and material management are providing benefits and greater control. Lean initiatives first introduced last year are being embraced across the operation.

Product

A key milestone was achieved in the second half of the year with the appointment of Ross Sneddon as Executive Chef. Ross joins Haydens with a wealth of experience as a highly skilled Chocolatier and Patisserie chef. He has created a new Innovations team, which will become fully operational during the first half of 2011.

Looking forward

There is much excitement around the new distribution site planned to open in time for Easter this year. This is a very significant milestone as it allows the business to achieve two fundamental parts of its strategy simultaneously.

Firstly, with a larger and dedicated site for the distribution activity, efficiencies previously not attainable can be realised. This, along with the ability to offer a cost effective route to market for other manufacturers, makes the proposition very commercial.

Secondly, the space freed up with the move means that the operational strategy can commence. This will finally allow the business to develop the core competencies that are already in demand. The first part of this new development will be in place by the half year and further significant developments can be expected before the year end.

Operational Viewpoint

Developments

- Extensive management restructuring;
 - Created strong "heads of department" tier through strategic appointments in purchasing, technical, engineering, human relations, supply chain and production
 - Strengthened "first line" operational management
 - Restructured technical management
 - Restructured supply chain function and developed improved tools for forecasting, planning and capacity management
- Increased capacity by restructuring night shift Haydens is now manufacturing 24/7
- Launched major investment in employee development at all levels of the business;
- Literacy, numeracy and English as a second language
- Vocational skills such as IT, NVQ's in warehousing, food manufacturing and team leading
- Degree level
- Processes stabilised using lean methodologies giving significant reductions in variation and waste
- Investments in depositing and conveying
- Investment in first phase of new IT infrastructure

Highlights

- Strong year-on-year growth satisfied with significant customer service improvements
- Record volumes at Christmas during adverse weather
- Achieved BRC "A" grade
- High competence in Health and Safety standards
- Continuous improvement activity has eliminated overproduction and increased productivity and line efficiency to record levels
- Acquiring new 30,000 ft² facility at Options House

Finance Director's Report

Mike McDonough



- Napier Brown down £26.5 million, although £15 million of this reflects the drop in Sugar costs as part of the Regime change with the rest primarily a withdrawal from low margin business.
- Garrett, whilst historically reported as part of Napier is a sugar and dairy trading business in its own right and warrants separate reporting. I'm pleased to report revenue was up £0.9 million in what has been a difficult sugar and dairy market over the year.
- Renshaw delivered sales growth of 22% with all sectors up on 2009 with particular success in higher retail sales both in the UK and US.
- Haydens bakeries enjoyed continued growth of 10% over 2009 with growth in both Retail and Foodservice.

Margins

Margin after Distribution costs (delivered margins) at £15.8 million (2009: £15.6 million) was in line with 2009 and expectations. Napier Brown's margins dropped by £2.3 million with sales prices falling disproportionately lower than sugar costs driving overall performance to only £0.4 million at EBITDA level. Garretts was able to extend margins by £0.2 million on positive management of a difficult market. Renshaw's strong growth increased overall margin levels by £2.3 million. Haydens was flat year-on-year, with commodity cost increases offsetting the continuing sales growth and sales prices not moving to recover costs until late in the year.

Profit before tax and interest

In what we expected to be a difficult year of transition for the sugar market, overall operating profits for the Group before significant items, at £3.6 million, was in line with forecast and 2000 levels.

Financing costs

Financing costs in 2010 at £1.37 million were in line with 2009 levels (£1.38 million).

Significant items

During the year the Group incurred costs of £0.4 million primarily related to the reorganisation of the Haydens operation which has seen a significant investment in resources during the year to support the growth plans.

Cash flow and debt

The Group's total net debt (after cash) as at 31 December was £22.6 million (2009: £24.1 million). The £1.5 million reduction is driven primarily by improvements in trading terms and working capital management. Cash management continues to be an area of major focus for us. The Group's borrowing facilities with PNC Business Capital comprise £34 million of total facilities, of which £19.6 million (incl £3.18 million cash) was utilised as at 31 December 2010, at a blended average cost of 2.76% over base rate

FAST FACT...

22%
Renshaw delivered sales growth of

22% with all sectors up on 2009

Pensions

The subsidiaries of the Group, Napier Brown Foods Limited and Renshawnapier Limited, operate a defined benefit pension scheme. The scheme is closed to new members. The IAS 19 valuation of the scheme at the year end identified a \pounds 0.1 million surplus, an improvement of \pounds 0.4 million on the prior year. During the year the Group contributed \pounds 117k (2009: \pounds 98k) to the scheme.

Risk and uncertainties

The operation of a public listed Company involves a series of inherent risks and uncertainties across a range of strategic, commercial, operational and financial areas. Below the Board has outlined our perception of particular risks and uncertainties facing the Group. These risks and uncertainties could cause the actual results to vary from those experienced previously or described in forward looking statements within the annual report:

a) Key customers

The Group has a number of key customers, some of whom operate on contracts which are subject to annual renewals. As a consequence, the retention of particular customers may change on a year-to-year basis.

b) Raw materials

Raw materials used by the Group are subject to price fluctuations. The operating divisions typically purchase these items on forward contracts, providing cover for some months ahead generally and in particular to lock in commitments with sales contracts on a "back-to-back" basis. Recent market experience, and outlook, for some raw materials indicate continued pressure for sales prices to be flexed accordingly.



Key Performance Indicators

The Group's Board monitors a range of financial and non-financial key performance indicators, reported on a periodic basis, to measure the Group's performance over time. The key performance indicators are set out below:

	Year ended	Year ended
	31 December	31 December
	2010	2009
Revenue growth ¹	(7.2%)	(1.4%)
Operating margin ²	1.8%	1.6%
Debt cover (net debt: EBITDA) ³	4.0	4.3
Interest cover ⁴	4.5	4.0
Health & Safety score ⁵	80%	75%

- 1 Revenue growth is calculated for continuing operations.
- 2 Operating margin is stated for continuing operations only and is calculated by dividing profit before tax and before significant items by revenue from continuing operations.
- 3 Debt cover is calculated by dividing total net debt by continuing EBITDA. EBITDA is defined as earnings before significant items, interest, tax, depreciation and intangible asset amortisation
- 4 Interest cover is calculated by dividing EBITDA by net interest payments (gross interest payable less interest receivable).
- 5 Health & Safety score represents the weighted average score across all sites as determined by our health and safety score index which was introduced in 2008 and is measured by an external consultant.

c) Sugar regime

In October 2009 the last major change in the EU sugar regime took place with the reduction in the Intervention price to \leq 404.4 ton (following the reduction in October 2008 to \leq 561.5 ton from \leq 631.9 ton which had been in operation since 1993). The Intervention price is a key determinant in the EU of market Sugar prices. This industry reduction along with the 30% reduction in EU beet production to 14 million tonnes, the refiners have had to deal with through refinery closures, has been responsible for the instability in the sugar market and all its operators over the last two to three years. With these changes now completed and no further change until 2015 the market has the opportunity to return to more normal trading and dynamics.

d) Food safety

As a reputable food manufacturer our operating divisions rigorously enforce our technical policies and procedures in relation to the production and storage of our products. All divisions are BRC accredited.

e) Health & safety

The Group could be adversely impacted if it failed to manage the safety of its manufacturing facilities effectively.

The Board of the Group believes the safety of its employees, contractors and suppliers is fundamentally important. A Group compliance programme is in place which ensures that all legal obligations are adhered to. Regular third party auditing takes place to ensure a continuous improvement in standards.

Health and safety is discussed at all monthly Divisional reviews and reported to the main Board twice annually.

f) Pensions

The Group acquired a defined benefits pension scheme as part of its acquisition of Napier Brown Foods in September 2005. Whilst this scheme is closed and benefits are no longer accruing, the valuation of any defined benefits pension scheme is subject to movements in equity markets, gilt returns and life expectancy. An adverse movement in any one of these factors may require the Group to increase its level of funding to the scheme. Management are increasingly proactive in managing the exposure

g) Changing consumer trends

The Group could be impacted by changing consumer trends, with potential risk areas including concerns over obesity and healthier eating.

The Group's proactive product development and technical teams are well positioned to help mitigate these risks.

M J McDonough

Group Finance Director 12 April 2011

Operations Summary

David Wright







In order to provide customers with the quality products they want, when they want them, our factory management teams have recognised that investment is constantly required, not only in equipment and systems but in our people, and in 2010 this philosophy has paid back handsomely. With the involvement of our staff we developed our Company Values which proclaim our RECIPE for success!

Respect – for people, property, customers, product, and trust, with integrity Excellence – in everything we do

Customers – understand their needs and don't let them down Involvement – be in the mix, take ownership

Pride – in our heritage, history, products and brands

Enthusiasm – Believe it . . . support it . . . live it!

During the year we have also invested in state-of-the-art equipment to flexibly meet our customers demands.

We have integrated our sites' computer systems to leverage process improvements and effect working capital reductions.

We have invested in our management teams and engineering resources to support excellence in our manufacturing operations, create safe, productive working environments.

We have integrated logistics, and purchasing into our manufacturing supply chain, so that with the help of our suppliers we can better control costs in the face of significant commodity inflation.

Health and Safety

Further consistent progress has been achieved in the Management of Health and Safety across the Group with a 5% improvement recorded year-on-year as measured by independent external audit, and all sites contributing to that improvement.



"With the involvement of staff we developed our Company Values which proclaim a RECIPE for success!"

David WrightOperations Director, Renshawnapier

Directors and Advisers



RealTaste. RealInnovation. RealInspiration.



1. Pieter Totté

(Executive joint Chairman)

Aged 60, Pieter has considerable knowledge of the food sector and has acted as a corporate finance adviser in a large number of transactions within the food industry over the last 20 years. He is retained as an adviser to various companies operating in the food sector.

2. Mike McDonough ACMA (Group Finance Director)

Aged 52, joined the Renshaw business in 1989 as Finance Manager at the start of Renshaws rationalisation programme under the ownership of the Schwartau Group. In 1993 he was appointed Finance Director holding this role as the business developed and expanded under the Swiss-based Hero Group.

3. Peter Salter (Non-Executive Director)

Aged 62, and was until 1998 a partner in Horwarth Clark Whitehill, Chartered Accountants, initially as a specialist tax partner and latterly as Chief Executive of the firm. He then spent five years in international corporate consultancy where he was involved in a number of mergers and acquisitions, fundraising and other advisory work. He has wide experience of working with financial institutions and companies and leads the Group's Audit and Remuneration Committees.

4. Christopher Thomas (Non-Executive Director)

Aged 66, qualified as a Chartered Accountant with Harmood Banner, a predecessor firm of PriceWaterhouseCoopers, in 1969. In 1973, after working abroad, he joined Breakmate Limited, a vending business, which was admitted to the Unlisted Securities Market in 1984. In 1992 he joined the NBF Group as Group Finance Director. For the succeeding 13 years he was directly involved in the day-to-day operations of the individual businesses within the NBF Group, and was CEO of NBF plc. Since the acquisition of NBF by the RGFC in 2005 he has been a Non-Executive Director of the new Group.

Patrick Ridgwell (Non-Executive joint Chairman)

Aged 65, joined Napier Brown & Company in 1964, became a Director in 1969 and Managing Director in 1972, following its acquisition of his family interests in 1970. He is Chairman of Napier Brown Holdings Limited which is controlled by his family interests.

Advisers

Directors

P W Totté

M J McDonough

P G Ridgwell

P C Salter

C O Thomas

Company Secretary

D P Newman

Registered Office

229 Crown Street Liverpool, Merseyside L8 7RF

Website

www.realgoodfoodplc.com

Registered Number

4666282

Auditors

Crowe Clark Whitehill LLP 10 Palace Avenue Maidstone, Kent ME15 6NF

Solicitors

Joelson Wilson & Co. 30 Portland Place London W1B 1LZ

Bankers

PNC Business Credit (Formerley - KBC Business Capital)
One Silk Street
London
EC2Y 8HQ

KBC Bank NV 111 Old Broad Street London EC2N 1 BR

Report of the Directors

Year ended 31 December 2010

The Directors present their report and the audited financial statements for the year ended 31 December 2010.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs') as adopted by the EU and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the Real Good Food Company plc website is the responsibility of the Directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Divisional Review on pages 6 to 21. The financial position of the Group, its cash flows and liquidity position are described in the Finance Director's Report on pages 22 to 23. In addition note 2 and 3 of the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

As detailed in note 23 to the financial statements, the Group has a long-term banking arrangement with PNC Business Credit and this, together with customer contracts and supplier agreements, enable the Directors to believe that the Group is well placed to manage its business risks.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Provision of information to auditors

Each person who is a Director at the time when this Directors' Report is approved has confirmed that:

as far as that Director is aware, there is no relevant audit information of which the Group's auditor is unaware, and that Director has taken all the steps that ought to have been taken as Director in order to be aware of any information needed by the Group's auditor in connection with preparing its report and to establish that the Group's auditor is aware of that information.

Principal activities

The principal activity of the Group is that of a food manufacturing and distribution business. The Group trades through its three operating divisions.

Sugar	The	dist	ribu	tion	of bulk	sugar	and	manu	facture	and	

supply of packed sugar and powders to the retail and

industrial food sectors.

Bakery Ingredients The manufacture and supply of marzipan, ready to roll

icing and baking chocolate to the industrial and retail

sectors.

Bakery The manufacture and supply of high quality ambient

cakes and desserts to the retail sector.

Business review and future developments

These are covered in detail within the Chairman's Statement, Divisional Reviews and Finance Directors' Report on pages 4 to 23.

Results and dividends

The Group's revenue from continuing operations for the year was £200,104k (2009 — £215,613k), yielding a continuing gross profit of £23,879k (2009 – £24,007k) and an operating profit of £3,214k (2009 — £3,019k) from continuing operations.

There were no discontinued business operations during the year.

The Group's profit for the year after taxation was £1,523k (2009 — £830k). This gives a basic earnings per share of 2.3 pence (2009 – 1.3 pence).

The Group ended the year with net assets of £79,984k (2009 — £78,030k) and cash balances of £3,187k (2009 – £5,657k). Details of the Group's borrowings are set out in Note 23.

The Directors do not recommend payment of a dividend in respect of the year ended 31 December 2010 (2009 — ENil).

Significant items

During the year the Group incurred reorganisation costs of £395k (2009 — £634k). In 2009 the Group benefited from a non-recurring £109k gain relating to the release of a provision for an onerous lease commitment on a building no longer used by the Group. Full details are given in note 6 to the financial statements.

Non-current assets

Details of changes in non-current assets are given in notes 16, 17 and 18 to the financial statements. In September 2010 the Group obtained professional valuations for its freehold land and buildings from Knight Frank LLP. The valuations indicated that the Group's freehold land and buildings had a market value of £7,340k compared to a book value of £6,519k.

Directors

The beneficial interests of the Directors in the Ordinary Share Capital of the Company on 31 December 2010 are set out below:

	31 December	31 December
	2010	2009
P W Totté *	2,474,124	2,474,124
P G Ridgwell **	22,502,354	22,502,354
P C Salter	5,000	5,000
C O Thomas	152,363	152,363

^{* 1,925,000} shares are held directly by Menton Investments Limited which is wholly owned by the Tulip Trust, a discretionary trust, of which P W Totté and certain members of his family are discretionary beneficiaries. In addition shares are held by J M Finn Nominees Limitedon behalf of Menton Investments Limited. P W Totté holds a further 549,124 shares directly.

Details of the Directors' share options are shown in note 12 to the financial statements.

Substantial interests

At 31 December 2010 there were the following substantial interests (3% or more) in the Company's Ordinary Share Capital:

	In Ordinary
	Share Capital
Napier Brown Ingredients Limited	34.1%
J M Finn Nominees	6.2%
Barclayshare Nominees	5.8%
Pershing Nominees Limited	4.8%
Giltspur Nominees Limited	3.9%
State Street Nominees	3.5%

Directors indemnities

The Company has paid £14,726 (2009 — £16,675) in respect of Directors and Officers Indemnity Insurance.

^{**}Napier Brown Ingredients Limited holds 22,139,998 shares which are controlled by a trust of which P G Ridgwell is a trustee. P G Ridgwell holds a further 362,356 shares directly.

Report on Corporate Governance

The Financial Services Authority requires listed companies (but not companies traded on the Alternative Investment Market ("AIM")) incorporated in the UK to state in their report and accounts whether they comply with the Combined Code and identify and give reasons for any areas of non-compliance. The Group is listed on AIM and therefore no disclosures are required.

The Board is aware of the requirements of the Combined Code and the need for appropriate controls and systems to safeguard the Group's assets. However, full compliance with the Combined Code is not possible because of the size and resource constraints within the Group and because of the relative cost benefit assessment of putting in place the additional procedures. The Group operates an effective Board which meets on a timely basis.

This is not a statement of compliance as required by the Combined Code and should therefore not be relied upon to give the disclosure which would normally be made.

The Board maintains an appropriate relationship with the Group's auditors through the Audit Committee. The auditors provide other services in addition to conducting the Group's audit as detailed in note 7. Procedures are in place to ensure auditor independence is not compromised.

The remuneration packages for Executive Directors are structured to attract, motivate and retain Directors with the experience, capabilities and ambition required to achieve the Group's strategic aims. The Remuneration Committee is responsible for determining and reviewing the annual remuneration packages of Executive Directors. The committee comprises of P C Salter, P W Totté and P G Ridgwell.

The salaries of Executive Directors are set by the committee and reviewed annually, taking into account the performance of the Group, and the individual, and salary increases given to other Group employees.

Payment of suppliers

The Group does not follow any code or statement on payment practice, but the policy of the Group is to abide by such payment terms as are agreed with suppliers within the terms of supply. At the Balance Sheet date there were 36 days' purchases outstanding (2009-31) days) calculated on the ratio of trade payables to total purchases.

Financial instruments

The Group's financial instruments, other than warrants, comprise bank term loans and two revolving credit facilities, hire purchase and finance leases, cash and liquid resources and various items arising directly from its operations, such as trade receivables and trade payables. The main purpose of these financial instruments is to finance the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Group also has some currency exposure regarding its sugar trade but the majority of this risk is offset by purchasing and selling sugar in matching currencies. The Board reviews and agrees policies, which have remained substantially unchanged for the year under review, for managing these risks. Full details of the Group's financial assets and liabilities are set out in note 23 to the financial statements.

Liquidity risk

Short-term flexibility is available through existing bank facilities and the netting off of surplus funds.

Employee involvement

The Group aims to improve the performance of the organisation through the development of its employees. Their involvement is encouraged by means of team working, team briefings, consultative committees and working parties. Bonus schemes are in place for all senior managers and Directors.

Disabled employees

The Group is committed to equality of employment and its policies reflect a disregard of factors such as disability in the selection and development of employees. The Group is involved in various initiatives which promote a positive understanding of disability and the integration of the disabled into the workforce.

Charitable and political donations

During the current financial year the Group made charitable donations of £2,950 (2009 — £3,215) to the Awareness for Breast Cancer charity. No political donations were made during the current or previous financial year.

Research and development

During the year the Group incurred costs of £482k (2009 — £433k) in relation to research and development of new products, on which the Group claimed tax allowances of £40,000 (2009 — £33,000), these costs included costs associated with development chefs, development technologists and materials consumed in product development.

Auditors

During the year the Company's auditors, Horwath Clark Whitehill LLP, changed its name to Crowe Clark Whitehill LLP.

Under section 487 of the Companies Act 2006, Crowe Clark Whitehill LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the Board on 12 April 2011 and is signed on its behalf by:

P W Totté

M J McDonough

Chairman

Director

Independent Auditors' Report to the shareholders of The Real Good Food Company plc

We have audited the financial statements of The Real Good Food Company plc for the year ended 31 December 2010 which comprise the consolidated statement of comprehensive income, consolidated statement of financial position, Company statement of financial position, consolidated statement of changes in equity, Company statement of changes in equity, consolidated statement of cash flows, Company statement of cash flows and the related notes numbered 1 to 31.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditors' 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

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

We read all the information in the Report of the Directors and any other surround information to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2010 and of the Groups profit for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made;
 or
- we have not received all the information and explanations we require for our audit.

Mark Anderson

Senior Statutory Auditor For and on behalf of Crowe Clark Whitehill LLP Statutory Auditor Maidstone 12 April 2011

Consolidated Statement of Comprehensive Income

Year ended 31 December 2010

	Year e	ended 31 Decembe	r 2010	Year e	ended 31 December	2009
	Before	Significant		Before	Significant	
	significant	items		significant	items	
	items	(Note 6)	Total	items	(Note 6)	Total
Continuing Operations Notes	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
REVENUE 4	200,104	_	200,104	215,613	_	215,613
Cost of sales	(176,225)	_	(176,225)	(191,606)	_	(191,606)
GROSS PROFIT	23,879	_	23,879	24,007	_	24,007
Distribution costs	(8,053)	_	(8,053)	(8,433)	_	(8,433)
Administration expenses	(12,217)	(395)	(12,612)	(12,030)	(525)	(12,555)
OPERATING PROFIT 8	3,609	(395)	3,214	3,544	(525)	3,019
Finance income 9	5	_	5	92	_	92
Finance costs 10	(1,365)	_	(1,365)	(1,472)	_	(1,472)
Other finance income 11	94	_	94	(13)	_	(13)
PROFIT BEFORE TAXATION	2,343	(395)	1,948	2,151	(525)	1,626
Income tax expense 14	(536)	111	(425)	(945)	149	(796)
PROFIT FROM CONTINUING OPERATIONS	1,807	(284)	1,523	1,206	(376)	830
OTHER COMPREHENSIVE INCOME						
Actuarial gains / (losses) on defined benefit plans	488	_	488	(520)	_	(520)
Income tax relating to components of other						
comprehensive income	(137)	_	(137)	146	_	146
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,158	(284)	1,874	832	(376)	456
Earnings per share from continuing and						
discontinued operations: 15						
— basic			2.3p			1.3p
— diluted			2.2p			1.3p
Earnings per share from continuing operations: 15						
— basic			2.3p			1.3p
— diluted			2.2p			1.3p

The Notes on pages 39 to 75 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 December 2010

Total comprehensive income for the year Balance as at 31 December 2010	1,300	68,870	153	1,874 9,661	1,874 79,984
Deferred tax on share options	_	_	46	_	46
Shares options to be issued	_	_	34	_	34
Balance as at 1 January 2010	1,300	68,870	73	7,787	78,030
Balance as at 31 December 2009	1,300	68,870	73	7,787	78,030
Total comprehensive income for the year	_	_	_	456	456
Shares options to be issued	_	_	_	_	_
Balance as at 1 January 2009	1,300	68,870	73	7,331	77,574
	£'000s	£'000s	£'000s	£'000s	£'000s
	Capital	Account	Reserve	Earnings	Total
	Share	Premium	Option	Retained	
	Issued	Share	Share		

The Notes on pages 39 to 75 form part of these financial statements.

Company Statement of Changes in Equity

Year ended 31 December 2010

Balance as at 31 December 2010	1,300	68,870	153	(5,009)	65,314
Total comprehensive income for the year				(1,731)	(1,731)
Deferred Tax on Share Options	_	_	46	_	46
Shares options to be issued	_	_	34	_	34
Balance as at 1 January 2010	1,300	68,870	73	(3,278)	66,965
Balance as at 31 December 2009	1,300	68,870	73	(3,278)	66,965
Total comprehensive income for the year				(1,778)	(1,778)
Shares options to be issued	_	_	_	_	_
Balance as at 1 January 2009	1,300	68,870	73	(1,500)	68,743
	£′000s	£'000s	£'000s	£'000s	£'000s
	Capital	Account	Reserve	Earnings	Total
	Share	Premium	Option	Retained	
	Issued	Share	Share		

The Notes on pages 39 to 75 form part of these financial statements.

Consolidated Statement of Financial Position

Year ended 31 December 2010

		31 December	31 December
		2010	2009
	Notes	£'000s	£'000s
NON-CURRENT ASSETS			
Goodwill	16	75,796	75,796
Other intangible assets	17	625	651
Property, plant and equipment	18	15,603	15,226
Deferred tax asset	20	351	431
		92,375	92,104
CURRENT ASSETS			
Inventories	21	9,546	9,570
Trade and other receivables	22	24,373	23,452
Cash and cash equivalents		3,187	5,657
		37,106	38,679
Total assets		129,481	130,783
CURRENT LIABILITIES			
Trade and other payables	24	19,891	19,023
Borrowings	23	17,258	18,373
Derived financial instruments	23	30	_
Current tax liabilities		589	158
		37,768	37,554
NON-CURRENT LIABILITIES			
Borrowings	23	8,565	11,430
Deferred tax liabilities	20	3,164	3,187
Provisions	25	_	_
Retirement benefit obligations	31	_	582
		11,729	15,199
Total liabilities		49,497	52,753
Net assets		79,984	78,030
EQUITY			
Share capital	26	1,300	1,300
Share premium account	27	68,870	68,870
Share option reserve	27	153	73
Retained earnings	27	9,661	7,787
Total equity		79,984	78,030

These financial statements were approved by the Board of Directors and authorised for issue on 12 April 2011. They were signed on its behalf by:

P W Totté
Chairman

M J McDonough
Director

Company Statement of Financial Position

Year ended 31 December 2010

		Year ended 31 December 2010	Year ended 31 December 2009
	Notes	£'000s	£'000s
NON-CURRENT ASSETS			
Investments	19	55,838	55,838
Other intangible assets	17	17	46
Property, plant and equipment	18	2,979	2,536
Deferred tax asset	20	319	245
Trade and other receivables	22	39,258	42,424
		98,411	101,089
CURRENT ASSETS			
Inventories	21	756	667
Trade and other receivables	22	2,519	5,730
Current tax asset		6	_
Cash and cash equivalents		480	1,287
		3,761	7,684
Total assets		102,172	108,773
CURRENT LIABILITIES			
Trade and other payables	24	9,098	10,802
Borrowings	23	3,187	3,647
Deferred tax liability	20	234	282
		12,519	14,731
NON-CURRENT LIABILITIES			
Trade and other payables	24	18,548	18,548
Borrowings	23	5,791	8,529
Provisions	25	_	_
		24,339	27,077
Total liabilities		36,858	41,808
Net Assets		65,314	66,965
EQUITY			
Share capital	26	1,300	1,300
Share premium account	27	68,870	68,870
Share option reserve	27	153	73
Retained earnings	27	(5,009)	(3,278)
Total equity		65,314	66,965

These financial statements were approved by the Board of Directors and authorised for issue on 12 April 2011. They were signed on its behalf by:

P W Totté
Chairman
Director

Consolidated Cash Flow Statement

Year ended 31 December 2010

	Year ended 31 December 2010 £'000s	Year ended 31 December 2009 £'000s
CASH FLOW FROM OPERATING ACTIVITIES		
Adjusted for:		
Profit before taxation	1,948	1,626
Finance costs	1,365	1,472
Finance income	(5)	(92)
IAS 19 costs/(income)	(94)	13
Depreciation of property, plant & equipment	1,785	1,895
Amortisation of intangibles	241	127
Operating cash flow	5,240	5,041
Decrease in inventories	24	1,393
Decrease/(Increase) in receivables	(922)	1,736
Increase in payables	904	1,414
Cash generated from operations	5,246	9,584
Income taxes recovered/(paid)	(23)	987
Interest paid	(1,341)	(1,960)
Net cash from operating activities	3,882	8,611
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	5	92
Purchase of intangible assets	(215)	(265)
Purchase of property, plant & equipment	(2,162)	(713)
Net cash used in investing activities	(2,372)	(886)
CASH FLOW USED IN FINANCING ACTIVITIES		
Repayment of borrowings	(3,708)	(3,236)
Repayment of obligations under finance leases	(272)	(296)
Net cash used in financing activities	(3,980)	(3,532)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,470)	4,193
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of year	5,657	1,464
Net movement in cash and cash equivalents	(2,470)	4,193
Cash and cash equivalents at end of year	3,187	5,657
Cash and cash equivalents comprise:		
Cash	3,187	5,657
Overdrafts	_	
	3,187	5,657

Company Cash Flow Statement

Year ended 31 December 2010

	Year ended 31 December	Year ended 31 December
	2010	2009
	£′000s	£′000s
CASH FLOW FROM OPERATING ACTIVITIES		
Adjusted for:		
Loss before taxation	(2,387)	(2,044)
Finance costs	398	1,107
Finance income	(287)	(525)
Depreciation of property, plant & equipment	629	675
Amortisation of intangibles	29	30
Operating cash flow	(1,618)	(757)
(Increase)/ in inventories	(89)	(151)
Decrease in receivables	6,372	272
(Decrease)/Increase in payables	(1,115)	3,425
Cash generated from operations	3,550	2,789
Income taxes recovered/(paid)	_	983
Interest paid	(374)	(1,595)
Net cash from operating activities	3,176	2,177
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	287	525
Purchase of intangibles	_	(26)
Purchase of property, plant & equipment	(1,072)	(117)
Net cash used in investing activities	(785)	382
CASH FLOW USED IN FINANCING ACTIVITIES		
Repayment of borrowings	(3,105)	(1,422)
Repayment of obligations under finance leases	(93)	(128)
Net cash used in financing activities	(3,198)	(1,550)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(807)	1,009
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of year	1,287	278
Net movement in cash and cash equivalents	(807)	1,009
Cash and cash equivalents at end of year	480	1,287
Cash and cash equivalents comprise:		
Cash	480	1,287
Overdrafts	_	
	480	1,287

Notes to the Financial Statements

Year ended 31 December 2010

1. Presentation of financial statements

General information

The Real Good Food Company plc is a public limited company incorporated in the United Kingdom under the Companies Act (registered number 4666282). The Company is domiciled in the United Kingdom and its registered address is 229 Crown Street, Liverpool, Merseyside, L8 7RF. The Company's shares are traded on the Alternative Investment Market (AIM).

The principal activities of the Group are the sourcing, manufacture and distribution of food to the retail and industrial sectors.

Basis of preparation

These consolidated financial statements are presented on the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and have been prepared in accordance with AIM rules and the Companies Act 2006, as applicable to companies reporting under IFRS.

These consolidated financial statements have been prepared in accordance with the accounting policies set out in note 2 and under the historical cost convention, except where modified by the revaluation of certain financial instruments and commodities.

New IFRS standards and interpretations adopted

The following IFRS standards, amendments and interpretations are not yet effective and have not been adopted early by the Group

IFRS 1 First Time Adoption of International Financial Reporting Standards –

Jan 2010 revision effective for accounts commencing after 1 July 2010

May 2010 revision effective accounts commencing after 1 January 2011

Dec 2010 revision effective accounts commencing after 1 July 2011

IFRS 3 Business Combinations May 2010 revision effective July 2010

IFRS 7 Financial instruments -

May 2010 revision effective January 2011

October 2010 revision effective July 2011

IFRS 9 Financial Instruments Classification & Measurement Effective January 2013

IAS 1 Presentation of Financial Statements May 2010 amendments Effective January 2011

IAS 12 Income Taxes Limited scope amendment Effective January 2012

IAS 24 Related Party Disclosures revised definition Effective January 2011

IAS 27 Consolidated and Separate Financial Statements May 2010 amendments Effective July 2010

IAS 32 Financial instruments amendments regarding rights issues Effective February 2010 $\,$

IAS 34 Interim Financial reporting May 2010 amendments Effective January 2011

The adoption of these standards, amendments and interpretations is not expected to have a material impact on the Group's profit for the period or equity. The adoptions may affect disclosures in the Group's financial statements.

Year ended 31 December 2010

2. Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

a) Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Divisional Review on Pages 6 to 21. The financial position of the Group, its cash flows and liquidity position are described in the Finance Director's Report on pages 22 to 23. In addition note 2 and 3 of the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

As detailed in note 23 to the financial statements, the Group has a long-term banking arrangement with PNC Business Credit and this, together with customer contracts and supplier agreements, enable the Directors to believe that the Group is well placed to manage its business risks.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

b) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings. The purchase method of accounting has been adopted. Under this method the results of all the subsidiary undertakings are included in the Consolidated Statement of Comprehensive Income from the date of acquisition or up to the date of disposal. Intra-Group revenues and profits are eliminated on consolidation and all revenue and profit figures relate to external transactions only.

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement. The loss for the financial period, of the holding Company, as approved by the Board, was £1,731k (2009 – £1,778k).

c) Goodwill

Goodwill is calculated as the difference between the fair value of the consideration exchanged, including directly attributable acquisition costs, and the net fair value of the identifiable assets and liabilities acquired and is capitalised. Goodwill is tested for impairment annually and whenever there is an indication of impairment. Goodwill is carried at cost less accumulated impairment losses.

When the acquired interest in the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

Gains and losses on the disposal of a business combination include the carrying amount of goodwill relating to the entity sold.

d) Revenue recognition

Revenue comprises the invoiced value of goods and services supplied by the Group, exclusive of Value Added Tax and trade discounts. Revenue is recognised at the point or points at which the Group has performed its obligations in connection with the contractual terms of the revenue agreement, and in exchange obtains the right to consideration

- (a) Sales of Goods: Sales of Goods are recognised when goods are delivered and title passed net of discounts, Value Added Tax (VAT) and other sales related taxes.
- (b) Finance Income: Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Finance income includes the expected return on the defined benefit pension scheme assets.

2. Significant accounting policies (continued)

e) Income tax

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date 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. No provision is made for taxation on permanent differences. Deferred tax is not discounted.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the Statement of Comprehensive Income, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities on a net basis.

f) Significant items

It is the Group's policy to show items that it considers are of a significant nature separately on the face of the Statement of Comprehensive Income in order to assist the reader to understand the accounts. The Group defines the term significant as items that are material in respect of their size and nature, for example, a major restructuring of the activities of the Group. Summary details of significant items are shown in the Chairman's Statement which forms part of this Annual Report and in note 6.

g) Pension costs

The Group operates a defined contribution and a defined benefit pension scheme. Payments to the defined contribution scheme are charged as an expense as they fall due. For the defined benefit scheme the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date.

Actuarial losses are recognised in full in the period in which they occur. Actuarial gains are not recognised as an asset since the scheme is now closed to new members and no further benefits are accruing to the members. They are recognised outside the Statement of Comprehensive Income and presented in the Statement of Changes in Equity. Further details are given in note 31 to the financial statements.

h) Property, plant and equipment

Property, plant and equipment is stated at historical cost or fair value at the date of acquisition, less accumulated depreciation and impairment provisions.

Depreciation is provided to write off the cost, less the estimated residual value, of property, plant and equipment by equal instalments over their estimated useful economic lives as follows:

Freehold buildings 2% – 2.5%

Short term leasehold buildings Length of lease

Plant and equipment 7.5% – 50%

Motor vehicles 25%

Fixtures and fittings 7.5% – 25%

Computer equipment 25%

Impairment reviews of property, plant and equipment are undertaken if there are indications that the carrying values may not be recoverable or that the recoverable amounts may be less than the asset's carrying value.

Assets in the course of construction relate to plant and equipment in the process of construction, which were not complete, and hence were not in use at the year end. Assets in the course of construction are not depreciated until they are completed and available for use.

Year ended 31 December 2010

2. Significant accounting policies (continued)

i) Intangible assets

Intangible assets consist of computer software which is considered to have an estimated useful economic life of between five and ten years and the assets are amortised on a straight-line basis over this period. The average remaining life of intangible assets is five years (2009 — five years). The charge for the year is included in administration expenses within the Statement of Comprehensive Income.

j) Leases

Where a lease is entered into which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a finance lease. The asset is recorded in the statement of financial position as an item of property, plant and equipment and is depreciated over the shorter of its estimated useful life or the term of the lease. Future instalments under such leases, net of finance charges, are included within borrowings. Rentals payable are apportioned between the finance element, which is charged to the Statement of Comprehensive Income, and the capital element, which reduces the outstanding obligation for future instalments.

All other leases are treated as operating leases and the rentals payable are charged on a straight-line basis to the Statement of Comprehensive Income over the lease term.

k) Investments

Investments are stated at cost less provision for any impairment in value.

I) Inventories

Inventories are stated at the lower of cost and net realisable value after making due allowance for obsolete and slow-moving inventory. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads. Cost is calculated using the standard cost or weighted average cost methods, appropriate to the materials and production processes involved. Net realisable value is based upon estimated selling price allowing for all further costs of completion and disposal.

m) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk. The Group does not hold or issue derivative financial instruments for speculative purposes. Further details of derived financial instruments are disclosed in note 23 to the financial statements.

n) Cash and cash equivalents

Cash and cash equivalents on the statement of financial position consist of cash in hand and at the bank. Cash and cash equivalents recognised in the Cash Flow Statement include cash in hand and at the bank, and bank overdrafts which are payable on demand. Deposits are only included within cash and cash equivalents when they have a short maturity of three months or less at the date of acquisition.

o) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

p) Trade payables

Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest method.

q) Bank borrowings

Interest bearing bank loans and overdrafts are recorded as the proceeds received net of direct issue costs and are valued at amortised cost.

r) Foreign currencies

The consolidated financial statements are presented in sterling which is the Group's functional and presentation currency.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

All foreign exchange gains and losses are presented in the Statement of Comprehensive Income within the administration expense heading.

2. Significant accounting policies (continued)

s) Share-based payments

The Group complies with the requirements of IFRS 2 'share-based payment' in respect of share options and warrants.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of the QCA-IRS Option ValuerTM which is based upon the Black–Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

3. Critical accounting estimates and judgements

In order to prepare these consolidated financial statements in accordance with the accounting policies set out in note 2, management has used estimates and judgements to establish the amounts at which certain items are recorded. Critical accounting estimates and judgements are those that have the greatest impact on the financial statements and require the most difficult, subjective and complex judgements about matters that are inherently uncertain. Estimates are based on factors including historical experience and expectations of future events that management believe to be reasonable. However, given the judgemental nature of such estimates, actual results could be different due to the assumptions used. The critical accounting estimates are set out below.

a) Impairment of goodwill

An impairment of goodwill has the potential to significantly impact upon the Group's Statement of Comprehensive Income for the year. In order to determine whether impairments are required the Directors estimate the recoverable amount of the goodwill. This calculation is based on the Group's cash flow forecasts for the following financial year extrapolated over a rolling nineteen year period assuming a zero growth rate. A discount factor, based upon the Group's weighted average cost of capital is applied to obtain a current value ('value in use'). The fair value less costs to sell of the cash generating unit is used if this results in an amount in excess of value in use.

Estimated future cash flows for impairment calculations are based on management's expectations of future volumes and margins based on plans and best estimates of the productivity of the income generating unit in their current condition. Future cash flows therefore exclude benefits from major expansion projects requiring future capital expenditure.

Future cash flows are discounted using a discount rate based on the Group's weighted average cost of capital. The weighted average cost of capital is impacted by estimates of interest rates, equity returns and market related risks. The Group's weighted average cost of capital is reviewed on an annual basis.

Further details are set out in note 16.

b) Retirement benefits

The Company sponsors the Napier Brown Foods Retirement Benefits Plan which is a funded defined benefit arrangement. The amounts recorded in the financial statements for this type of scheme are based on a number of assumptions, changes to which could have a material impact on the reported amounts.

Any net deficit or surplus arising on the defined benefit plan is shown in the Statement of Financial Position. The amount recorded is the difference between plan assets and liabilities at the statement of financial position date. Plan assets are based on market value at that date. Plan liabilities are based on actuarial estimates of the present value of future pension or other benefits that will be payable to members.

The most sensitive assumptions involved in calculating the expected liabilities are mortality rates and the discount rate used to calculate the present value. If the mortality rate assumption changed, a one year increase to longevity would increase the liability by 2.8%. Changes to the discount rate of 0.5% would result in a change in the scheme liabilities of 7.8% conversely a 0.5% movement in the rate of inflation would change the liabilities of the scheme by 3.1%.

The Statement of Comprehensive Income generally comprises a regular charge to operating profit and a finance charge, which represents the net of expected income from plan assets and an interest charge on plan liabilities. These calculations are based on expected outcomes at the start of the financial year. The Statement of Comprehensive Income is most sensitive to changes in expected returns from plan assets and the discount rate used to calculate the interest charge on plan liabilities. A 10% change in the assumption of the real discount rate would change the finance expense by approximately £0.09 million.

Full details of these assumptions, which are based on advice from the Group's actuaries, are set out in note 31.

Year ended 31 December 2010

3. Critical accounting estimates and judgements continued

c) Provisions

The Group recognises a provision where a legal or constructive obligation exists at the balance sheet date and a reliable estimate can be made of the likely outcome.

At the Statement of Financial Position date there were no provisions identified.

Although provisions are reviewed on a regular basis and adjusted for management's best current estimates, the judgemental nature of these items means that future amounts settled may be different from those provided.

Further details are set out in note 25.

d) Taxation

Deferred tax assets mainly represent past tax losses that the Group expects to recover in the foreseeable future and by their nature the amounts recorded are therefore dependent on management's judgement about future events.

Further details are set out in notes 14 and 20.

e) Significant items

In determining whether an item should be classified as a significant item the Board reviews the expenditure in question and assesses whether the expenditure meets the definition of a significant item as defined in the Group's accounting policy (note 2f). Items are only included within significant items if, following this review, the Board are satisfied that the expenditure meets with the definition set out in the accounting policy.

4. Revenue

The revenue for the Group for the current year arose from the sale of goods in the following areas:

- (a) distribution of bulk sugar, manufacture and supply of packed sugar and powders;
- (b) manufacture and supply of marzipan, ready to roll icing and baking chocolate to the industrial and retail sectors; and
- (c) manufacture and supply of high quality ambient and chilled cakes and desserts to the industrial and retail sectors.

5. Segment reporting

Business segments

The Group has historically traded with its operating segments being Sugar, Bakery Ingredients and Bakery and the Group's management and reporting structure has been set out along these lines. 2010 saw the re-launch of Garret Ingredients as an important part of the Group and from 2011 this division which is currently reported within Sugar will be reported as a separate operating segment.

The following table shows the Group's revenue and results for the year under review analysed by operating segment. The Group reports and manages its trading segments at an EBIT reporting level without allocating head office costs. The table below therefore shows segment performance at a profit after tax level without allocating any head office or consolidation adjustments or the tax and finance costs relating to head office.

Year ended 31 December 2010

	Continuing					
		Bakery		Operations	Significant	Total
	Sugar	Ingredients	Bakery	Total	items	Group
	£′000s	£'000s	£'000s	£'000s	£'000s	£'000s
Total Revenue	136,113	42,971	23,327	202,411	_	202,411
Revenue — Internal	(2,129)	(178)	_	(2,307)	_	(2,307)
External Revenue	133,984	42,793	23,327	200,104	_	200,104
Operating Profit	1,102	4,575	(238)	5,439	(395)	5,044
Head Office and consolidation adjustments				(1,830)	_	(1,830)
Net Finance Costs	(789)	(460)	(86)	(1,335)	_	(1,335)
Unallocated Net Finance Costs	_	_	_	(25)	_	(25)
Pension finance income	_	_	_	94	_	94
Profit/(loss) before tax	313	4,115	(324)	2,343	(395)	1,948
Tax	(192)	(854)	31	(1,015)	_	(1,015)
Unallocated Tax	_	_	_	479	111	590
Profit/(loss) after tax as per Statement						
of Comprehensive Income	121	3,261	(293)	1,807	(284)	1,523

Inter-segment sales are charged at prevailing market rates.

Year ended 31 December 2010

5. Segment reporting continued

Year ended 31 December 2010

real chaca 31 December 2010					
		Bakery		Unallocated	Total
	Sugar	Ingredients	Bakery	(1)	Group
	£'000s	£'000s	£'000s	£'000s	£'000s
Segment assets	24,155	22,459	6,303		52,917
Unallocated assets					
Goodwill					75,796
Other intangible assets					1
Property, plant and equipment					5
Deferred tax assets					350
Trade and other receivables					288
Cash and cash equivalents					124
Total assets					129,481
Segment liabilities	(23,516)	(9,014)	(3,947)		(36,477)
Unallocated liabilities					
Trade and other payables					(406)
Borrowings					(10,511)
Current tax liabilities					308
Deferred tax liabilities					(2,411)
Total liabilities					(49,497)
Net operating assets	639	13,445	2,356		79,984
Non-current asset additions	404	902	1,072		2,378
Depreciation	420	736	624	5	1,785
Amortisation	67	144	28	2	241

⁽¹⁾ Unallocated Relates primarily to the Head Office and non current asset additions, depreciation and amortisation which cannot be meaningfully allocated to individual operating divisions.

Geographical segments

The Group earns revenue from countries outside the United Kingdom, but as these only represent 3.1% of the total revenue of the Group, segmental reporting of a geographical nature is not considered relevant.

Segment reporting continued Year ended 31 December 2009

				Continuing		
		Bakery		Operations	Significant	Total
	Sugar	Ingredients	Bakery	Total	items	Group
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Total Revenue	168,034	37,785	21,086	226,905	_	226,905
Revenue — Internal	(8,471)	(2,821)	_	(11,292)	_	(11,292)
External Revenue	159,563	34,964	21,086	215,613	_	215,613
Operating profit	2,737	2,493	(394)	4,836	(525)	4,311
Head Office and consolidation adjustments				(1,292)	_	(1,292)
Net finance costs	(921)	(413)	(90)	(1,424)	_	(1,424)
Net finance income				44	_	44
Pension finance income				(13)	_	(13)
Profit/(loss) before tax	1,816	2,080	(484)	2,151	(525)	1,626
Tax	(428)	(460)	38	(850)		(850)
Unallocated tax	_	_	_	(95)	149	54
Profit after tax	1,388	1,620	(446)	1,206	(376)	830

Inter-segment sales are charged at prevailing market rates.

Year ended 31 December 2010

5. Segment reporting continued

Year ended 31 December 2009

		Bakery	ry Unallocated	Unallocated	Total
	Sugar	Ingredients	Bakery	(1)	Group
	£'000s	£'000s	£'000s	£'000s	£'000s
Segment assets	26,081	20,877	6,265		53,223
Unallocated assets					
Goodwill					75,796
Other intangible assets					1
Property, plant and equipment					12
Deferred tax assets					431
Inventory					_
Trade and other receivables					559
Derived financial assets					_
Current tax assets					_
Cash and cash equivalents					761
Total assets					130,783
Segment liabilities	(23,993)	(8,384)	(4,331)		(36,708)
Unallocated liabilities					
Trade and other payables					(390)
Borrowings					(13,153)
Derived financial instruments					_
Current tax liabilities					(68)
Deferred tax liabilities					(2,434)
Provisions					
Total liabilities					(52,753)
Net operating assets	2,088	12,493	1,934		78,030
Non-current asset additions	139	696	142		977
Depreciation	547	674	669	5	1,895
Amortisation	20	77	28	2	127

⁽¹⁾ Unallocated Relates primarily to the Head Office and non current asset additions, depreciation and amortisation which cannot be meaningfully allocated to individual operating divisions.

Geographical segments

The Group earns revenue from countries outside the United Kingdom, but as these only represent 3.1% of the total revenue of the Group, segmental reporting of a geographical nature is not considered relevant.

6. Significant items

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£'000s	£'000s
Management restructuring costs	(395)	(634)
Onerous lease provision released	_	109
	(395)	(525)
Taxation credit on significant items	111	149
	(284)	(376)

During the year the Group incurred a number of significant costs as detailed above. The management restructuring costs reflect a number of fundamental reorganisations within our operating divisions during the year.

7. Auditors' remuneration

The analysis of auditors' remuneration is as follows:

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£'000s	£'000s
Fees payable to the Company's auditors for the audit of the Company's annual accounts.		
Total audit fees	26	20
Fees payable to the Group's auditors for other services to the Group		
The audit of the Company's subsidiaries pursuant to legislation	99	75
Other services relating to taxation	36	26
Other services pursuant to legislation	23	66
	184	187

Year ended 31 December 2010

8. Operating profit

		Year ended	Year ended
		31 December	31 December
		2010	2009
	Note	£'000s	£'000s
External sales		200,104	215,613
Staff costs	13	22,803	20,246
Inventories:			
— cost of inventories as an expense (included in cost of sales)		155,745	177,088
— fair value loss/(gain) on derivatives held for trading (included in cost of sales)		30	117
— impairment of inventory recognised in the year		_	115
Depreciation of property, plant and equipment	18	1,785	1,895
Amortisation of intangible assets	17	241	127
Significant items	6	395	525
Minimum operating lease payment:			
— land and buildings	29	563	506
— other assets	29	421	386
Short-term hire of plant and equipment		_	62
Research and development expenditure		482	433
Impairment of trade receivables	22	74	63
Foreign exchange gains		(111)	(48)
Other net operating expenses		14,462	11,079
Total		196,890	212,594
Operating profit from continuing operations		3,214	3,019

9. Finance income

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£'000s	£'000s
Bank interest receivable	_	22
Other interest receivable	5	70
	5	92

10. Finance costs

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£'000s	£'000s
Interest on bank loans and overdrafts	1,338	1,351
Interest on obligations under finance leases	27	46
Interest on interest rate swap agreements	_	599
	1,365	1,996
Fair value gain on interest rate swaps	_	(524)
	1,365	1,472

11. Other finance income

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£'000s	£'000s
Interest on pension scheme liabilities	(937)	(930)
Expected return on pension scheme assets	1,031	917
	94	(13)

12. Directors' remuneration

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£'000s	£'000s
Fees	208	274
Executive salaries and benefits	403	501
Compensation for loss of office	_	185
Share-based payments	24	_
	635	960

The emoluments of the Directors for the year were as follows:

				Long-term		
				employee	Year ended	Year ended
	Salary and			benefits	31 December	31 December
	Fees*	IFRS 2	Benefits	Pension	2010	2009
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
S Heslop	_	_	_	_	_	499
L M Camfield	_	_	_	_	_	126
M J McDonough	173	4	16	_	193	61
P W Totté [†]	214	9	_	_	223	126
P Ridgwell	75	4	_	_	79	75
P C Salter	103	5	_	_	108	43
C O Thomas	30	2	_	_	32	30
	595	24	16	_	635	960

^{*} Salaries and fees include both fees received as an officer of the Company and separate consultancy fees.

Key management personnel are considered to be the Company's Directors.

Salaries and fees in relation to PW Totté are paid to Menton Investments Limited. Menton Investments Limited and PW Totté's other trust held a total of 3.7% of the Company's share capital at 31 December 2010.

Year ended 31 December 2010

12. Directors' remuneration (continued) **Directors' interests in share options**

			Number of	Number of			
			options at	options at		Earliest	Exercise
		Date of	31 December	31 December	Exercise	exercise	expiry
	Option Type	Grant	2010	2009	Price	Date	Date
P W Totté	Unapproved options 2009	July 2009	1,000,000	1,000,000	5.25p	July 2012	July 2013
	Unapproved options 2010	May 2010	142,857	_	24.50p	May 2013	May 2014
P Ridgwell	Unapproved options 2009	July 2009	476,190	476,190	5.25p	July 2012	July 2013
	Unapproved options 2010	May 2010	61,224	_	24.50p	May 2013	May 2014
P C Salter	Unapproved options 2009	July 2009	285,714	285,714	5.25p	July 2012	July 2013
	Unapproved options 2010	May 2010	102,040	_	24.50p	May 2013	May 2014
C O Thomas	Unapproved options 2009	July 2009	304,762	304,762	5.25p	July 2012	July 2013
	Unapproved options 2010	May 2010	40,816	_	24.50p	May 2013	May 2014
	Warrants	Dec 2003	369,000	369,000	67.75p	Dec 2007	Dec 2013
M J McDonough	Approved options 2009	June 2009	476,190	476,190	5.25	July 2012	July 2013
	Approved options 2010	May 2010	20,408	_	24.50p	May 2013	May 2014
	Unapproved options 2010	May 2010	40,816	_	24.50p	May 2013	May 2014

408,161 new options were granted to Directors during the year (2009 - 2,542,856). Options have been granted to Directors whose performances and potential contribution were judged to be important to the operations of the Group, as incentives to maximise their performance and contribution.

The mid-market price of the ordinary shares on 31 December 2010 was 24.0p and the range during the year was 4.1p to 34.3p. During the year retirement benefits were accruing to 1 (2009 – 2) Directors in respect of money purchase pension schemes.

No Director exercised share options during the year.

13. Staff numbers and costs

The average monthly number of people employed by the Group (including Executive Directors) during the year, analysed by category, were as follows:

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£'000s	£'000s
Production	659	591
Selling and distribution	114	111
Directors and administrative	89	52
	862	754

The aggregate payroll costs were as follows:

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£'000s	£'000s
Wages, salaries and fees	20,375	18,001
Social security costs	1,834	1,670
Other pension costs	560	575
Cost of options issued to staff (see note 28)	34	_
	22,803	20,246

14. Taxation

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£'000s	£'000s
CURRENT TAX		
UK current tax on profit of the year	576	221
UK current tax on significant items	(111)	(149)
Adjustments in respect of prior years	(7)	(58)
Total current tax	458	14
DEFERRED TAX		
Deferred tax charge re pension scheme	26	57
Origination and reversal of timing differences	104	455
Adjustments in respect of prior years	(56)	(12)
Deferred tax asset re losses brought forward	_	282
Adjustment in respect of change in		
deferred tax rate	(107)	
Total deferred tax	(33)	782
Tax on profit on ordinary activities	425	796

Year ended 31 December 2010

14. Taxation (continued)

Factors affecting tax charge for the year:

The tax assessed for the year is lower (2009 — higher) than the standard rate of corporation tax in the UK (28%). The differences are explained below:

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£'000s	£'000s
TAX RECONCILIATION		
Profit per accounts before taxation	1,948	1,626
Tax on profit on ordinary activities at standard CT rate of 28% (2009 — 28%)	545	455
Expenses not deductible for tax purposes	51	22
Impact of change in tax base for leasehold	_	107
Additional deduction for R&D expenditure	_	(33)
Deferred tax asset re losses brought forward	_	282
Marginal relief	_	(4)
Adjustment in respect of change in deferred tax rate	(107)	_
Adjustments to tax in respect of prior years	(64)	(33)
Tax charge for the year	425	796

15. Earnings per share

Basic earnings per share

Basic earnings per share is calculated on the basis of dividing the profit/(loss) attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended	Year ended
	31 December	31 December
	2010	2009
	Continuing	Continuing
	Operations	Operations
Earnings after tax attributable to ordinary shareholders (£'000s)	1,523	830
Weighted average No. of shares in issue (000's)	65,014	65,014
Basic earnings per share	2.3p	1.3p

15. Earnings per share continued

Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potential dilutive ordinary shares. Potential dilutive ordinary shares arise from share options and warrants. For these, a calculation is performed to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the exercise price attached to outstanding share options. Thus the total potential dilutive weighted average number of shares considers the number of shares that would have been issued assuming the exercise of the share options.

	Year ended	Year ended
	31 December	31 December
	2010	2009
	Continuing	Continuing
	Operations	Operations
Earnings after tax attributable to ordinary shareholders (£'000s)	1,523	830
Total potential weighted average No. of shares in issue (000's)	68,311	65,590
Diluted earnings per share	2.2p	1.3p

Adjusted earnings per share

An adjusted earnings per share and a diluted adjusted earnings per share, which exclude significant items, has also been calculated as in the opinion of the Board this allows shareholders to gain a clearer understanding of the trading performance of the Group.

8 P		
	Year ended	Year ended
	31 December	31 December
	2010	2009
	Continuing	Continuing
	Operations	Operations
Earnings after tax attributable to ordinary shareholders (£'000s)	1,523	830
Add back significant items (note 6)	395	525
Add back tax on significant items	(111)	(149)
Adjusted earnings after tax attributable to ordinary shareholders (£'000s)	1,807	1,206
Weighted average No. of shares in issue (000's)	65,014	65,014
Basic earnings per share	2.8p	1.9p
Total potential weighted average No. of shares in issue (000's)	68,311	65,590
Basic diluted earnings per share	2.6p	1.8p

Year ended 31 December 2010

16. Goodwill

	Group
	£'000s
Cost	
Brought forward 1 January 2010	75,796
Carried forward 31 December 2010	75,796

Goodwill acquired on business combinations is allocated at acquisition to the Cash-Generating Units that are expected to benefit from that business combination. Before any recognition of impairment losses, the carrying amount of goodwill has been allocated as follows:

Ye	ear ended	Year ended
31 D	ecember	31 December
	2010	2009
	£'000s	£'000s
Sugar and Bakery Ingredients division*	75,796	75,796
Carried forward 31 December 2010	75,796	75,796

^{*} The goodwill relating to the Sugar and Bakery Ingredients Divisions arose out of the single acquisition of Napier Brown Foods by The Real Good Food Company plc in 2005. It has not been possible to allocate this goodwill between individual Cash-Generating Units.

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill may be impaired.

The recoverable amounts of the Cash-Generating Units are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates and expected changes to selling prices and direct costs.

The rate used to discount the forecast cash flows is the Group's pre-tax weighted average cost of capital of 4.61% (2009 – 3.57%). The Group prepares cash flow forecasts derived from the most recent financial plans approved by the Board for the next three years and extrapolates this over a further 16 years at a zero growth rate. A period of 19 years has been applied as the Directors used this period to assess the viability of the acquisition when the business was acquired in 2005. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. Using these parameters and allowing for disposal income at the end of this time scale the recoverable amounts exceed the carrying value by £54 million. Actual results were 12% above the forecast cash flows used for the impairment review in the previous year.

An increase in the Group's weighted average cost of capital to above 10.4% (2009 – 7.6%) would cause the Board to impair the carrying value of goodwill.

17. Other Intangible Assets

	Group	Company £'000s
	<i>E</i> ′000s	
Cost		
At 1 January 2010	1,476	214
Additions	215	_
At 31 December 2010	1,691	214
Amortisation		
At 1 January 2010	825	168
Charge	241	29
At 31 December 2010	1,066	197
Net book value at 31 December 2010	625	17
Cost		
At 1 January 2009	1,211	188
Additions	265	26
At 31 December 2009	1,476	214
Amortisation		
At 1 January 2009	698	138
Charge	127	30
At 31 December 2009	825	168
Net book value at 31 December 2009	651	46

Intangible assets all relate to intangible assets acquired from third parties and there are no internally generated intangible assets.

Year ended 31 December 2010

18. Property Plant and equipment

		Assets	
		in the	
Land and	Plant and	course of	
Buildings	Equipment	construction	Total
£'000s	£'000s	£'000s	£'000s
9,271	20,973	38	30,282
35	1,055	1,072	2,162
_	326	(326)	
9,306	22,354	784	32,444
2,498	12,558	_	15,056
289	1,496	_	1,785
2,787	14,054	_	16,841
6,519	8,300	784	15,603
9,229	20,249	91	29,569
42	641	30	713
	83	(83)	
9,271	20,973	38	30,282
2,210	10,951	_	13,161
288	1,607	_	1,895
2,498	12,558	_	15,056
6,773	8,415	38	15,226
	Buildings ε'000s 9,271 35 — 9,306 2,498 289 2,787 6,519 9,229 42 — 9,271 2,210 288 2,498	Buildings Equipment ε'000s ε'000s 9,271 20,973 35 1,055 — 326 9,306 22,354 2,498 12,558 289 1,496 2,787 14,054 6,519 8,300 9,229 20,249 42 641 — 83 9,271 20,973 2,210 10,951 288 1,607 2,498 12,558	in the Land and Buildings Equipment construction £'000s £'000s 9,271 20,973 38 35 1,055 1,072 — 326 (326) 9,306 22,354 784 2,498 12,558 — 289 1,496 — 2,787 14,054 — 6,519 8,300 784 9,229 20,249 91 42 641 30 — 83 (83) 9,271 20,973 38 2,210 10,951 — 2,88 1,607 — 2,498 12,558 — 2,498 12,558 —

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

31 December	31 December
2010	2009
£'000s	£'000s
Plant and equipment 1,053	1,147

18. Property Plant and equipment (continued)

			Assets	
			in the	
	Land and	Plant and	course of	
	Buildings	Equipment	construction	Total
Company	£'000s	£'000s	£'000s	£'000s
Cost				
At 1 January 2010	1,751	6,528	30	8,309
Additions	_	_	1,072	1,072
Reclassifications	35	284	(319)	_
At 31 December 2010	1,786	6,812	783	9,381
Depreciation				
At 1 January 2010	1,428	4,345	_	5,773
Charge	141	488	_	629
At 31 December 2010	1,569	4,833	_	6,402
Net book value at 31 December 2010	217	1,979	783	2,979
Cost				
At 1 January 2009	1,728	6,381	83	8,192
Additions	23	64	30	117
Reclassifications		83	(83)	
At 31 December 2009	1,751	6,528	30	8,309
Depreciation				
At 1 January 2009	1,286	3,812	_	5,098
Charge	142	533	_	675
At 31 December 2009	1,428	4,345	_	5,773
Net Book Value At 31 December 2009	323	2,183	30	2,536

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	31 December	31 December
	2010	2009
	£'000s	£'000s
Plant and equipment	225	255

Year ended 31 December 2010

19. Investments

Company

Investments in shares of subsidiary undertakings:

At 31 December 2010	53,900	610	1,248	1	79	55,838	55,838
At 1 January 2010	53,900	610	1,248	1	79	55,838	55,838
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
	Limited	Limited	Limited	Limited	Limited	2010	2009
	Brown Foods	Dormant	Haydens	co.uk	Coolfresh	31 December	31 December
	Napier	TD		Cakes.	plc/	ended	ended
		Limited/			Eurofoods	Year	Year
		Dormant					
		FSF					

The aggregate of the share capital and reserves at 31 December 2010 and of the profit or loss for the year ended on that date are as follows:

	Aggregate of Share	
	Capital and	
	reserves	Profit/(loss)
	£'000s	£'000s
Napier Brown Foods Ltd	38,510	(48)
Renshawnapier Ltd	32,928	2,873

19. Investments (continued) Company

Subsidiary Activities Number of Shares Held of Shares Held Haydens Bakeries Limited* Dormant 4,052,659 100 Cordinary £1 Dormant 260,000 Ordinary £1 100 Coolfresh Distribution Limited* Dormant 10,000 Ordinary £1 100 Coolfresh Distribution Limited* Dormant 100 Ordinary £1 100 SFS Dormant Limited* Dormant 1,112 Ordinary £1 100 TD Dormant Limited* Dormant 5,000 Ordinary £1 100 Napier Brown Foods Limited* Bormant 5,000 Ordinary £1 100 Napier Brown Foods Limited* Sugar & Ingredient Supplier 15,685,000 Ordinary £1 100 RenshawNapier Limited Dormant 2,000 Ordinary £1 100 Advanced Sweeteners Limited Dormant 1,000 Ordinary £1 100 Bextra Foods Limited Dormant 1,000 Ordinary £1 100 Bextra Foods Limited Dormant 74,000 Ordinary £1 100 Garret Ingredients Limited Dormant 70,000 Ordinary £1 100 Gaywood Sugars Li				Proportion of
Haydens Bakeries Limited*		Principal	Description and	Nominal Value
Dormant Dorm	Subsidiary	Activities	Number of Shares Held	of Shares Held
Eurofoods plc*	Haydens Bakeries Limited*	Dormant	4,052,659	100%
South Sout			Ordinary £1	
Coolfresh Distribution Limited* Dormant 10,000 Ordinary £1 100 Cakes.co.uk Limited* Dormant 100 Ordinary £1 100 FSF Dormant Limited* Dormant 11,112 Ordinary £1 100 TD Dormant Limited* Dormant 5,000 Ordinary £1 100 Napier Brown Foods Limited* Holding Company 28,248,096 Ordinary 50p 100 RenshawNapier Limited Sugar & Ingredient Supplier 15,685,000 Ordinary £1 100 Advanced Sweeteners Limited Dormant 2,000 Ordinary £1 100 Bextra Limited Dormant 11,113 Ordinary £1 100 Bextra Foods Limited Dormant 11,113 Ordinary £1 100 Borlands & Sclanders Limited Dormant 74,000 Ordinary £1 100 Borlands & Sclanders Limited Dormant 100 Ordinary £1 100 Garret Ingredients Limited Dormant 200,000 Ordinary £1 100 Gaywood Sugars Limited Dormant 250,000 Ordinary £1 100 James Budgett Sugars Limited Dormant 1 Ordinary £1 100	Eurofoods plc*	Dormant	260,000 Ordinary £1	100%
Cakes.co.uk Limited* Dormant 100 Ordinary £1 100 FSF Dormant Limited* Dormant 11,112 Ordinary £1 100 TD Dormant Limited* Dormant 5,000 Ordinary £1 100 Napier Brown Foods Limited* Holding Company 28,248,096 Ordinary £0 100 RenshawNapier Limited Sugar & Ingredient Supplier 15,685,000 Ordinary £1 100 Advanced Sweeteners Limited Dormant 2,000 Ordinary £1 100 Bextra Limited Dormant 3,100,000 Ordinary £1 100 Bextra Edinited Dormant 11,113 Ordinary £1 100 Bextra Foods Limited Dormant 74,000 Ordinary £1 100 Bextra Edinited Dormant 100 Ordinary £1 100 Garret Ingredients Limited Dormant 100 Ordinary £1 100 Gaywood Sugars Limited Dormant 200,000 Ordinary £1 100 Gaywood Sugars Limited Dormant 1 Ordinary £1 100 James Budgett Sugars Limited Dormant 1 Ordinary £1 100 Renshaw Scott Limited Dor			50,000 Preference £1	
FSF Dormant Limited* Dormant Limited* Dormant State of Top Dormant United State of Top Dormant State of Top Dorma	Coolfresh Distribution Limited*	Dormant	10,000 Ordinary £1	100%
TD Dormant Limited* Dormant 5,000 Ordinary £1 100 Napier Brown Foods Limited* Holding Company 28,248,096 Ordinary £0 100 RenshawNapier Limited Sugar & Ingredient Supplier 15,685,000 Ordinary £1 100 Advanced Sweeteners Limited Dormant 2,000 Ordinary £1 100 Bextra Limited Dormant 3,100,000 Ordinary £1 100 Bextra Foods Limited Dormant 11,113 Ordinary £1 100 Borlands & Sclanders Limited Dormant 74,000 Ordinary £1 100 Garret Ingredients Limited Dormant 100 Ordinary £1 100 Gaywood Sugars Limited Dormant 200,000 Ordinary £1 100 James Budgett Sugars Limited Dormant 250,000 Ordinary £1 100 Jenshaw Limited Dormant 1 Ordinary £1 100 Renshaw Limited Dormant 5,000 Ordinary £1 100 Renshaw Scott Limited Dormant 5,000 Ordinary £1 100 Renshaw Scott Limited Dormant 5,000 Ordinary £1 100 Products Company Limited<	Cakes.co.uk Limited*	Dormant	100 Ordinary £1	100%
Napier Brown Foods Limited* RenshawNapier Limited Sugar & Ingredient Supplier 15,685,000 Ordinary £1 100 Advanced Sweeteners Limited Dormant Dormant 3,100,000 Ordinary £1 100 Bextra Limited Dormant Dormant 11,113 Ordinary £1 100 Bextra Foods Limited Dormant Dorm	FSF Dormant Limited*	Dormant	11,112 Ordinary £1	100%
RenshawNapier Limited Sugar & Ingredient Supplier 15,685,000 Ordinary £1 100 Advanced Sweeteners Limited Dormant 2,000 Ordinary £1 100 Bextra Limited Dormant 3,100,000 Ordinary £1 100 Bextra Foods Limited Dormant 11,113 Ordinary £1 100 Borlands & Sclanders Limited Dormant 74,000 Ordinary £1 100 Garret Ingredients Limited Dormant 100 Ordinary £1 100 Gaywood Sugars Limited Dormant 200,000 Ordinary £1 100 James Budgett Sugars Limited Dormant 250,000 Ordinary £1 100 JF Renshaw Limited Dormant 1 Ordinary £1 100 Renshaw Scott Limited Dormant 1 Ordinary £1 100 The Standardized Food Dormant 5,000 Ordinary £1 100 Products Company Limited Dormant 75,000 Ordinary £1 100 Sefcol Limited Dormant 3,000 Ordinary £1 100	TD Dormant Limited*	Dormant	5,000 Ordinary £1	100%
Advanced Sweeteners Limited Bextra Limited Dormant 2,000 Ordinary £1 100 Bextra Foods Limited Dormant 11,113 Ordinary £1 100 Borlands & Sclanders Limited Dormant 74,000 Ordinary £1 100 Garret Ingredients Limited Dormant 100 Ordinary £1 100 Gaywood Sugars Limited Dormant 200,000 Ordinary £1 100 Gaywood Sugars Limited Dormant 200,000 Ordinary £1 100 James Budgett Sugars Limited Dormant 250,000 Ordinary £1 100 JF Renshaw Limited Dormant 1 Ordinary £1 100 Renshaw Scott Limited Dormant 1 Ordinary £1 100 The Standardized Food Dormant 5,000 Ordinary £1 100 Products Company Limited Treelink (Ireland) Limited Dormant 75,000 Ordinary £1 100 Sefcol Limited Dormant 3,000 Ordinary £1 100 Sefcol Limited Dormant 3,000 Ordinary £1 100	Napier Brown Foods Limited*	Holding Company	28,248,096 Ordinary 50p	100%
Bextra Limited Bextra Foods Limited Dormant 3,100,000 Ordinary £1 100 Bextra Foods Limited Dormant 74,000 Ordinary £1 100 Garret Ingredients Limited Dormant 100 Ordinary £1 100 Gaywood Sugars Limited Dormant Dorma	RenshawNapier Limited	Sugar & Ingredient Supplier	15,685,000 Ordinary £1	100%
Bextra Foods Limited Borlands & Sclanders Limited Dormant T4,000 Ordinary £1 100 Garret Ingredients Limited Dormant T4,000 Ordinary £1 100 Gaywood Sugars Limited Dormant Dorm	Advanced Sweeteners Limited	Dormant	2,000 Ordinary £1	100%
Borlands & Sclanders Limited Garret Ingredients Limited Gaywood Sugars Limited Gaywood Sugars Limited Dormant Dorma	Bextra Limited	Dormant	3,100,000 Ordinary £1	100%
Garret Ingredients Limited Gaywood Sugars Limited Dormant Dorm	Bextra Foods Limited	Dormant	11,113 Ordinary £1	100%
Gaywood Sugars Limited James Budgett Sugars Limited Jermant 200,000 Ordinary £1 100 Jermant 250,000 Ordinary £1 100 Jermant 1 Ordinary £1 100 Renshaw Limited Dormant 1 Ordinary £1 100 The Standardized Food Products Company Limited Treelink (Ireland) Limited Dormant 75,000 Ordinary £1 100 Sefcol Limited Dormant 3,000 Ordinary £1 100 Dormant 75,000 Ordinary £1 100 Dormant 3,000 Ordinary £1 100 Dormant 3,000 Ordinary £1 100	Borlands & Sclanders Limited	Dormant	74,000 Ordinary £1	100%
James Budgett Sugars LimitedDormant250,000 Ordinary £1100JF Renshaw LimitedDormant1 Ordinary £1100Renshaw Scott LimitedDormant1 Ordinary £1100The Standardized FoodDormant5,000 Ordinary £1100Products Company Limited42,000 Preference £1Treelink (Ireland) LimitedDormant75,000 Ordinary £1100Sefcol LimitedDormant3,000 Ordinary £1100	Garret Ingredients Limited	Dormant	100 Ordinary £1	100%
JF Renshaw LimitedDormant1 Ordinary £1100Renshaw Scott LimitedDormant1 Ordinary £1100The Standardized FoodDormant5,000 Ordinary £1100Products Company Limited42,000 Preference £1Treelink (Ireland) LimitedDormant75,000 Ordinary £1100Sefcol LimitedDormant3,000 Ordinary £1100	Gaywood Sugars Limited	Dormant	200,000 Ordinary £1	100%
Renshaw Scott Limited The Standardized Food Products Company Limited Treelink (Ireland) Limited Dormant Tordinary £1 100 100 100 100 100 100 100	James Budgett Sugars Limited	Dormant	250,000 Ordinary £1	100%
The Standardized Food Dormant 5,000 Ordinary £1 100 Products Company Limited 42,000 Preference £1 Treelink (Ireland) Limited Dormant 75,000 Ordinary £1 100 Sefcol Limited Dormant 3,000 Ordinary £1 100	JF Renshaw Limited	Dormant	1 Ordinary £1	100%
Products Company Limited 42,000 Preference £1 Treelink (Ireland) Limited Dormant 75,000 Ordinary £1 100 Sefcol Limited Dormant 3,000 Ordinary £1 100	Renshaw Scott Limited	Dormant	1 Ordinary £1	100%
Treelink (Ireland) LimitedDormant75,000 Ordinary £1100Sefcol LimitedDormant3,000 Ordinary £1100	The Standardized Food	Dormant	5,000 Ordinary £1	100%
Sefcol Limited Dormant 3,000 Ordinary £1 100	Products Company Limited		42,000 Preference £1	
,	Treelink (Ireland) Limited	Dormant	75,000 Ordinary £1	100%
Whitworths Sugars Limited Dormant 2 Ordinary £1 100	Sefcol Limited	Dormant	3,000 Ordinary £1	100%
	Whitworths Sugars Limited	Dormant	2 Ordinary £1	100%

All subsidiaries are registered in England and Wales with the exception of Borlands & Sclanders Limited which is registered in Scotland, and Treelink (Ireland) Limited which is registered in Northern Ireland. All subsidiaries have been included in these consolidated financial statements.

^{*} Held directly by the Real Good Food Company plc.

Year ended 31 December 2010

20. Deferred taxation liability/(asset)

The gross movements on the deferred tax account are as follows:

	2010	2010	2009	2009
	Group	Company	Group	Company
	£'000s	£'000s	£'000s	£'000s
At 1 January	2,756	37	2,120	(410)
Income statement charge	(33)	(76)	782	447
Charge to equity	91	(46)	(146)	
At 31 December	2,814	(85)	2,756	37

Group

Deferred tax assets

The deferred tax balances arise from temporary differences in respect of the following:

	Losses	Options	Provisions	Pension	Total
	£'000s	£'000s	£'000s	£'000s	£'000s
At 1 January 2010	(229)	_	(39)	(163)	(431)
Charged/(Credit) to income:					
— re current year	8	(2)	16	26	48
— re prior years	(36)	(23)	_	(59)	
(Credit) to equity	_	(46)	_	137	91
At 31 December 2010	(221)	(84)	(46)	_	(351)

Deferred tax provisions

At 31 December 2010	825	_	2,339	3,164
— prior years			2	2
— current year	105		(130)	(25)
Charged to income:				
At 1 January 2010	720	_	2,467	3,187
	£'000s	£'000s	£'000s	£'000s
	assets	assets	assets	Total
	Intangible	financial	Tangible	
		Derived		

20. Deferred taxation Liability/(asset) (continued)

Company

Deferred tax assets

The deferred tax balances arise from temporary differences in respect of the following:

Deferred tax asset to be recovered after more than 12 months Deferred tax asset to be recovered within 12 months

			Short-term	
		Share	Timing	
	Losses	Options	Differences	Total
	£'000s	£'000s	£'000s	£'000s
At 1 January 2010	(229)	_	(16)	(245)
Charged/(Credit) to income:				
— current year	8	(2)	_	6
— prior years	(36)	2	(34)	_
— Chg/(credit) to equity	_	(46)	_	(46)
At 31 December 2010	(221)	(84)	(14)	(319)
			7	angible assets £'000s
At 1 January 2010				282
Charged/(Credit) to income:				
— current year				(50)
— current year				2
At 31 December 2010				234
Analysis of deferred tax losses			2010	2009

The deferred tax asset has been recognised to the extent that the Group is forecasting suitable taxable profits against which the temporary difference will be utilised.

£'000s

319

319

£'000s

245

245

Year ended 31 December 2010

21. Inventories

	31 December	31 December	31 December	31 December
	2010	2010	2009	2009
	Group	Company	Group	Company
	£'000s	£'000s	£'000s	£'000s
Materials	3,693	714	2,695	626
Work in progress	169	3	216	14
Finished goods	5,594	39	6,659	27
	9,456	756	9,570	667

Inventories totalling £9,456k (2009 — £9,570k) are valued at the lower of cost and net realisable value. The Directors consider that this value represents the best estimate of the fair value of those inventories net of costs to sell. Of the total inventories £3.3 million (2009 — £3.3m) of finished goods have been pledged as security for borrowings, see note 23.

22. Trade and other receivables

	31 December	31 December	31 December	31 December
	2010	2010	2009	2009
	Group	Company	Group	Company
	£'000s	£'000s	£'000s	£'000s
Non-current trade and other receivables				
Amounts owed by Group undertakings	_	39,258	_	42,424
Current trade and other receivables				
Trade receivables	21,640	1,854	21,789	2,139
Less: provision for impairment of receivables	(136)	_	(118)	
Net trade receivables	21,504	1,854	21,671	2,139
Other receivables	2,438	150	1,202	925
Amounts owed by Group undertakings	_	_	_	2,666
Prepayments	431	515	579	
	24,373	2,519	23,452	5,730

Provision for impairment of receivables

	31 December	31 December	31 December	31 December
	2010	2010	2009	2009
	Group	Company	Group	Company
	£'000s	£'000s	£'000s	£'000s
At 1 January 2010	(118)	_	(110)	_
Charge for year	(74)	_	(63)	_
Uncollectible amounts written off	56	_	55	
At 31 December 2010	(136)	_	(118)	

22. Trade and other receivables (continued)

The creation and release of the provision for impaired receivables has been included in the income statement (note 8) within administration costs.

Trade receivables primarily represent Blue Chip customers with good credit ratings. In assessing and granting credit the Group relies on professional credit rating agencies and has credit insurance policies in place for added protection. This credit insurance covers £19.6 million of the Group's trade receivables, the remaining amount £1.9 million relates to sales from the Group's bakery division to high street retailers, which the Group has not taken credit insurance on as we deem this to be of limited credit risk. There is no concentration of credit risk within trade receivables as the Group trades with a broad base of customers primarily within the UK, with no customers representing 10% or more of the entities total turnover.

The Group recognised a loss of £74k (2009 — £63k) for impairment of its trade receivables during the year, to reflect debts significantly past their due dates. This loss has been included in operating profit in the Statement of Comprehensive Income.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. The Directors consider the maximum credit risk at the balance sheet date is equivalent to the carrying value of trade and other receivables, less any amounts claimable under the Group's credit insurance policies.

Trade receivables of £7.5 million were past due but not impaired. The ageing analysis of these receivables is as follows:

	Year ended	Year ended	Year ended	Year ended
	1 December	31 December	31 December	31 December
	2010	2010	2009	2009
	Group	Company	Group	Company
	£'000s	£'000s	£'000s	£'000s
Up to 30 days past due	6,432	135	4,663	157
1-3 months past due	970	25	858	2
Over 3 months past due	67	_	187	
	7,469	160	5,708	159

23. Borrowings and capital management

	Year ended	Year ended	Year ended	Year ended
	1 December	1 December 31 December		31 December
	2010	2010	2009	2009
	Group	Company	Group	Company
	£'000s	£'000s	£'000s	£'000s
Unsecured borrowings at amortised cost				
Loan notes	2,774	_	2,774	_
Secured borrowings at amortised cost				
Bank term loans	7,784	7,784	10,379	10,379
Revolving credit facilities	15,032	1,088	16,145	1,598
Hire purchase	233	106	505	199
	25,823	8,978	29,803	12,176
Amounts due for settlement within 12 months	17,258	3,187	18,373	3,647
Amounts due for settlement after 12 months	8,565	5,791	11,430	8,529
	25,823	8,978	29,803	12,176

Year ended 31 December 2010

23. Borrowings and capital management (continued)

Features of the Group's borrowings are as follows:

The Group's financial instruments comprise cash, a term loan, hire purchase and finance leases, revolving credit facility, overdraft and various items arising directly from its operations such as trade payables and receivables. The main purpose of these financial instruments is to finance the Group's operations.

The main risks from the Group's financial instruments are interest rate risk and liquidity risk. The Group also has some currency exposure in relation to its sugar trade and also some currency exposure in relation to the purchase of almonds from the United States, however, this is mitigated by matching against foreign currency sales. The Board reviews and agrees policies, which have remained substantially unchanged for the year under review, for managing these risks.

The Group's policies on the management of interest rate, liquidity and currency exposure risks are set out in the Report of the Directors.

The Group operates a number of term loans and revolving credit facilities with PNC Business Credit. The property term loan currently bears interest at 3% above base rate and is repayable via monthly instalments of £71,000 and then a bullet repayment of £3,529,000 in July 2013. At the year end £5.7 million was outstanding under this facility. Our fixed asset term loan also currently bears interest at 3% above base rate and is repayable by monthly instalments of £37,000 until July 2013. At the year end £1.1 million was outstanding under this loan. After the year end the Group extended its fixed asset term loan by £838,000 in accordance with agreed terms. Under the terms of the agreement an additional £26,600 will be repaid each month. Our final term loan currently bears interest at 4% above base rate and is repayable via monthly instalments of £62,000 up to July 2012. At the year end £1.0 million was outstanding under this facility.

The Group's revolving credit facilities, which are available until July 2013, comprise of Sterling and Euro denominated invoice discounting facilities and an inventory asset facility. The invoice discounting facilities currently bear interest at 2.5% above Sterling and Euro base rates respectively and are secured against the underlying trade receivables. The total amount outstanding under these facilities at the end of the year was £13.5 million whilst the maximum permitted borrowings are £21.9 million. The inventory finance facility currently bears interest at 2.95% above base rate and at the year end £1.5 million was outstanding under this facility which has a maximum borrowing limit of £3.3 million and is secured upon the finished goods and certain raw material inventories of the Group.

The fixed interest rate liabilities relate to amounts payable on hire purchase agreements. The weighted average interest rate of these liabilities was 6.93% (2009 – 7.31%) and the weighted average period for which the interest rates are fixed was 15 months (2009 — 19 months).

The Group had outstanding loan notes amounting to £2,773,908 (2008 — £2,773,908) due to Napier Brown Ingredients Limited as disclosed in note 30. During the year the loan note holders agreed to waive the accrued interest in relation to these notes, which will also remain interest free during 2011.

The financial assets of the Group are surplus funds, which are offset against borrowings under the facility, and there is no separate interest rate exposure.

PNC Business Credit has a debenture incorporating a fixed and floating charge over the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital, buildings, fixtures, intangible assets, fixed plant and machinery. In addition our banking arrangements with KBC contain certain cross guarantees.

PNC Business Credit has a charge over the assignment of life policies as follows:

Policy holder	Policy number	Policy provider
P G Ridgwell	L0191576272	Scottish Equitable Plc

Hire purchase and finance lease liabilities are secured upon the underlying assets.

Forward foreign exchange contracts

The Group has entered into forward foreign exchange contracts to minimise its exposure to exchange rate fluctuations. The contracts are held in the Balance Sheet as Derived Financial liabilities at their fair value, with changes in their fair value being recorded in the Consolidated Statement Of Comprehensive Income.

The fair value of these contracts calculated by the providers at December 2010 was a liability of £30k (Dec 2009 £nil).

Swaps

There were no interest rate swaps outstanding at the end of December 2010 (2009 £nil).

23. Borrowings and capital management (continued)

Liquidity risk management

The Board reviews the Group's liquidity position on a monthly basis and monitors its forecast and actual cash flows against maturing profiles of its financial assets and liabilities.

The following table details the Group's maturity profile of its financial liabilities.

2010	Less than	1 – 3	3 months	1 – 5	5 +	
	1 month	months	to 1 year	years	years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Trade and other payables	7,246	12,645	_	_	_	19,891
Loan notes	_	_	_	2,774	_	2,774
Bank term loans	170	510	1,360	5,744	_	7,784
Revolving credit facilities	_	_	15,032	_	_	15,032
Finance leases	21	59	106	47		233
	7,437	13,214	16,498	8,565	_	45,714
2009	Less than	1 – 3	3 months	1 – 5	5 +	
	1 month	months	to 1 year	years	years	Total
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Trade and other payables	13,051	5,972	_	_	_	19,023
Loan notes	_	_	_	2,774	_	2,774
Bank term loans	163	489	1,304	8,423	_	10,379
Revolving credit facilities	_	_	16,145	_	_	16,145
Finance leases	23	71	178	233	_	505
	13,237	6,532	17,627	11,430	_	48,826

The profile of the trade payables has been taken as being consistent with the Group's payment terms to suppliers.

Analysis of market risk sensitivity

Currency risks:

The Group is exposed to currency risk on purchases made of almonds from the United States. The risk associated with these purchases is mitigated by matching with sales in foreign currencies. The effect of a 10c strengthening of the US dollar against Sterling exchange rate at the balance sheet date on the trade payables carried at that date would, with all other variables being held constant, have resulted in a decrease in pre tax profits of £24k. The impact of a 10c strengthening of the US Dollar against Sterling at the balance sheet date on our trade receivables carried at that date would, all other variables being held constant, have resulted in an increase in pre-tax profits of £17k.

The Group is also exposed to currency risk on purchases of sugar from Europe. The risk associated with these purchases is mitigated by matching with sales in foreign currencies. These sales form part of our Invoice Discounting facilities with PNC, which generate a Euro loan obligation. The effect of a \leqslant 5 cent strengthening of the Euro versus Sterling exchange rate at the balance sheet date on our overall Euro net position carried at that date would, all other variables being held constant, have resulted in a decrease in pre-tax profits of £516k.

The Group also secures sugar supplies which are influenced by Euro Sterling exchange movements. The majority of these movements are passed directly onto our customers forming a natural hedge. Where fixed sterling contracts are in place the Group predominantly looks to mitigate this risk by matching with fixed sterling supply contracts and also with forward currency contracts. The effect of a €5 cent strengthening of the Euro versus Sterling at the balance sheet date on our forward currency swaps carried at that date would, all other variables being held constant, have resulted in an increase in pre-tax profits of £106k.

Year ended 31 December 2010

23. Borrowings (continued)

Interest rate risks:

The Group has an exposure to interest rate risk arising from fluctuations in Sterling and Euro base rates. The impact of a 1% increase in the applicable interest rates at the Balance Sheet date on the variable rate debt carried at that date would, all other factors remaining unchanged, have resulted in a decrease in pre tax profits of £273k.

Obligation under finance leases

	2010	2009
	£'000s	£'000s
Finance lease liabilities – minimum lease payments		
Due within one year	195	287
Due within one to five years	49	260
	244	547
Future finance charges on finance leases	(11)	(42)
Present value of finance lease liabilities	233	505
The present value of finance lease liabilities is as follows:		
Due within 1 year	186	272
Due within 1 to 5 years	47	233
	233	505

It is the Group's policy to lease certain property, plant and equipment under finance leases. For the year ended 31 December 2010 the average effective borrowing rate was 7.34% (2009 – 7.31%). Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in Sterling.

The fair value of the Group's lease obligations approximates to their carrying amount.

24. Trade and other payables

	Year ended	Year ended	Year ended	Year ended
	1 December 31 December		31 December	31 December
	2010	2010	2009	2009
	Group	Company	Group	Company
	£'000s	£'000s	£'000s	£'000s
Amounts due in more than one year				
Amounts owed to Group undertakings	_	18,548	_	18,548
Amounts due within one year				
Trade payables	16,903	2,347	15,966	2,491
Social security	610	244	526	213
Amounts owed to Group undertakings	_	5,492	_	7,141
Accruals	2,230	952	2,435	864
Other payables	148	63	96	93
	19,891	9,098	19,023	10,802

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

25. Provisions

	2010 Group	2010	2009	2009
		Company	Group	Company
	£'000s	£'000s	£'000s	£'000s
At 1 January 2010	_	_	684	301
Additions	_	_	_	_
Transferred to accruals	_	_	(122)	(108)
Released during the year	_	_	(562)	(193)
At 31 December 2010	_	_	_	_

26. Share capital

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£'000s	£'000s
Authorised equity share capital		
75,000,000 ordinary shares of £0.02 each	1,500	1,500
Allotted, called up and fully paid equity share capital		
At 1 January 2010	1,300	1,300
At 31 December 2010	1,300	1,300

Ordinary shares carry the right to participate in dividends and each share entitles the holder to one vote on matters requiring shareholder approval. The number of shares reserved for issue under options and warrants are as follows:

Warrants 2,245,663 shares expiry date end of 2013
Options 5,291,148 shares with expiry dates beyond 2012

27. Share premium and reserves

	Share		Share
	premium	Retained	option
	account	earnings	reserve
Group	£'000s	£'000s	£'000s
Balance at 1 January 2010	68,870	7,787	73
Retained profit for the year	_	1,874	_
Balance at 31 December 2010 excluding pension gains/(losses)	68,870	9,661	73
Pension scheme gains/(losses)	_	_	_
Shares to be issued	_	_	80
Balance at 31 December 2010 including pension gains/(losses)	68,870	9,661	153
	Share		Share
	premium	Retained	option
	account	earnings	reserve
Company	£'000s	£'000s	£'000s
Balance at 1 January 2010	68,870	(3,278)	73
Retained loss for the year	_	(1,731)	_
Shares to be issued	_	_	80
Balance at 31 December 2010	68,870	(5,009)	153

Year ended 31 December 2010

28. Equity-settled share option scheme

The Company has a share option scheme for certain employees of the Group. Options are exercisable at a price equal to the average quoted market price of the Company's shares at the date of grant. The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options are forfeited if the option holder leaves the Group before the options vest.

Details of the share options outstanding during the year are as follows:

8 8				
		Year ended		Year ended
	Year ended	31 December	Year ended	31 December
	31 December	2010	31 December	2009
	2010	Weighted	2009	Weighted
	Number	Average	Number	Average
	of share	Exercise	of share	Exercise
	options	Price (£)	options	Price (£)
Outstanding at the beginning of the year	4,685,711	0.05	2,125,433	0.92
Granted during the year	795,913	0.24	4,685,711	0.05
Forfeited during the year	(190,476)	0.05	(2,125,433)	0.92
Outstanding at the end of the year	5,291,148	0.08	4,685,711	0.05
Exercisable at the end of the year	Nil	_	Nil	_

A detailed breakdown of the range of exercise prices for options outstanding as at 31 December 2010 is shown in the table below:

		2010			2009	
		Weighted	Weighted		Weighted	Weighted
	Number	average	average	Number	average	average
	outstanding	remaining	exercise	outstanding	remaining	exercise
	at end	contractual	price	at end	contractual	price
	of year	life (years)	(pence)	of year	life (years)	(pence)
£0.00-£0.50	5,291,148	2	7.85	4,685,711	3.0	5.25
£0.50-£0.75	_	_	_	_	_	_

	2010	2009
	£'000s	£'000s
IFRS 2 Fair value charge	34	_
Average share price	19.7p	4.6p

New options have been issued during this current year. At the time of the issue of options the inputs into the Black–Scholes option pricing model are as follows:

Expected volatility	35%
Expected life	3 years
Risk-free rate	2.88%
Dividend yield	Nil

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous three years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

29. Commitments

Operating lease arrangements

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£'000s	£'000s
Minimum lease payments under operating leases recognised as an expense in the year	984	892

At the balance sheet date the Group had total future minimum lease payments under non-cancellable operating leases for each of the following periods:

	2010	2009
	£'000s	£'000s
Due within one year	599	776
Due between 1 and 5 years	753	1,236
Due beyond 5 years	1,140	1,140

Operating lease payments represent rentals payable by the Group in respect of its properties and machinery. For properties, the lease periods are negotiated for an average of fifteen years with five year reviews and for machinery the lease periods vary up to five years.

Capital commitments

	2010	2009
	£'000s	£'000s
Commitments for the acquisition of property, plant and equipment	201	229

30. Related party transactions

Napier Brown Foods Limited was a former subsidiary of Napier Brown Ingredients Limited. At the year end a loan note of £2,773,908 was owed to Napier Brown Ingredients Limited in which P G Ridgwell, who is a Director of The Real Good Food Company plc, has a beneficial interest. During the year the loan note holders continued to agree to waive their rights to the accrued interest on this loan note, thus accrued interest on the loan amounted to £nil (2009 — £nil) at 31 December 2010.

Transactions between the Company and its subsidiaries are as follows:

${\bf Trading\ transactions-purchase\ of\ goods}$

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£'000s	£'000s
Renshawnapier Limited	808	654

Year ended 31 December 2010

30. Related party transactions (continued)

	31 December	31 December
	2010	2009
	'000s	£'000s
Renshawnapier Limited	24,040	24,747
Napier Brown Foods Limited	Nil	942

Renshawnapier Limited is a related party because it is a 100% owned subsidiary of Napier Brown Foods Limited which is a 100% subsidiary of The Real Good Food Company plc.

Purchases from related parties have been made at market prices; settlement of the debt is made under normal trading terms.

Amounts due from related parties

	31 December	31 December
	2010	2009
	£'000s	£′000s
Renshawnapier Limited	Nil	5,478
Napier Brown Foods Limited	39,258	39,611

The Group has provided loans to its subsidiary companies at rates which reflect the rates charged by its own bankers. Loans and interest are repayable by monthly instalments.

31. Pensions arrangements

The Group operates a defined benefit pension plan in the UK. A full actuarial valuation was carried out as at 1 April 2009 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the scheme is agreed between the Group and the trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using prudent as opposed to best actuarial assumptions. The actuarial valuation showed a deficit of £5.0 million. However a further actuarial review was undertaken as at 31 March 2010 which revealed that the deficit had reduced to £2.7 million. This was a result of the recovery of the stock markets from the low in 2009 and improvements in gilt yields and discount rates. On the basis of this valuation the Group agreed with the trustees that it will eliminate the £2.7 million deficit over a period of 11 years and 9 months from 1 April 2009 by the continuation of contributions of £8,145 per month up to 31 July 2010, increasing to £12,000 per month between 1 August and 31 December 2010, £130,000 per annum in 2011, £155,000 per annum in 2012 and £265,000 per annum thereafter. In addition and in accordance with the actuarial valuation the Group has agreed with the trustees that it will meet the expenses of the scheme and levies to the Pension protection Fund, along with further deficit contributions contingent on the Group's year end cash position relative to its banking covenants.

For the purposes of IAS19 the data provided for the 1 April 2009 Actuarial valuation has been approximately updated to reflect liabilities on the accounting basis at 31 December 2010. This has resulted in a surplus in the scheme of £96,000.

It is the policy of the Company to recognise all actuarial gains and losses in the year in which they occur in the statement of comprehensive income. The asset this year is not recognised as the scheme is closed to new members and therefore the surplus is not considered to be recoverable by the Group.

31. Pensions arrangements (continued)

Present values of defined benefit obligations, fair value of assets and deficit

	Year ended				
	31 December				
	2010	2009	2008	2007	2006
	£'000s	£'000s	£'000s	£'000s	£'000s
Present value of defined benefit obligation	16,212	15,945	15,094	16,268	17,808
Fair value of plan assets	(16,308)	(15,363)	(14,830)	(18,052)	(16,585)
Deficit/(surplus) in plan	(96)	582	264	(1,784)	1,223
Amount not recognised in accordance with IAS 19 paragraph 58b	96	_	_	1,249	_
Gross amount recognised	_	582	264	(535)	1,223
Deferred tax at 28%/30%	_	(163)	(74)	535	(367)
Net liability	_	419	190	_	856

Reconciliation of opening and closing balances of the present value of the defined benefit obligations

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£'000s	£'000s
Defined benefit obligation at start of year	15,945	15,094
Interest cost	937	930
Actuarial losses/(gains)	(6)	633
Benefits paid, death in service insurance premiums and expenses	(664)	(712)
Defined benefit obligation at end of year	16,212	15,945

Reconciliation of opening and closing balances of the fair value of plan assets

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£'000s	£'000s
Fair value of scheme assets at start of the year	15,363	14,830
Expected return on scheme assets	1,031	917
Actuarial gains	578	113
Contributions by the Group paid	117	98
Adjustment for contributions by the Group not agreed	(117)	117
Benefits paid, death in service insurance premiums and expenses	(664)	(712)
Fair value of scheme assets at end of the year	16,308	15,363

The actual return on the scheme assets over the year ending 31 December 2010 was £1,609,000 (2009 — £2,692,000).

Total expense recognised in the Statement of Comprehensive Income within other finance income

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£'000s	£'000s
Interest on liabilities	937	930
Expected return on scheme assets	(1,031)	(917)
Total cost/(income)	(94)	13

Year ended 31 December 2010

31. Pensions arrangements (continued)

Statement of recognised income and expenses

	Year ended	Year ended
	31 December	31 December
	2010	2009
	£'000s	£'000s
Difference between expected and actual return on scheme assets: gain	578	113
Experience gains and losses arising on the scheme liabilities: gain	387	18
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities: (loss)	(381)	(651)
Reversal of the limit under IAS19 paragraph 58b	(96)	<u> </u>
Total amount recognised in statement of changes in equity	488	(520)

Assets

	Year ending	Year ending	Year ending
	31 December	31 December	31 December
	2010	2009	2008
	£'000s	£'000s	£'000s
Equities	10,779	10,274	8,547
Bonds	3,990	3,919	5,092
Property	408	449	563
Cash	1,131	721	628
Total assets	16,308	15,363	14,830

None of the fair values of the assets shown above include any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group.

Assumptions

	Year ending	Year ending	Year ending
	31 December	31 December	31 December
	2010	2009	2008
	% per annum	% per annum	% per annum
Inflation	3.10	3.10	3.10
Salary increases	_	_	_
Rate of discount	5.70	6.00	6.30
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.10	3.10	3.10
Allowance for revaluation of deferred pensions of RPI or 5% if less	3.10	3.10	3.10
Allowance for commutation of pension for cash at retirement	75% of	50% of	50% of
	max allowance	max allowance	max allowance

Assumption	Change in assumption	Change in liability
Discount rate	Increase/decrease of 0.5% p.a	Decrease/increase by 7.8%
Rate of inflation	Increase/decrease of 0.5% p.a	Increase/decrease by 3.1%
Rate of salary growth	Increase/decrease of 0.5% p.a	Increase/decrease by 0.0%.
Rate of mortality	1 year increase in life expectancy	Increase by 2.8%.

31. Pensions arrangements (continued)

The mortality assumptions adopted at 31 December 2010 imply the following life expectancies:

Male retiring at age 65 in 2010	21.9 years
Female retiring at age 65 in 2010	24.0 years
Male retiring at age 65 in 2030	23.8 years
Female retiring at age 65 in 2030	26.0 years

The long-term expected rate of return on cash is determined by reference to UK long dated government bond yields at the balance sheet date. The long-term expected return on bonds is determined by reference to UK long dated government and corporate bond yields at the balance sheet date. The long-term expected rate of return on equities is based on the rate of return on bonds with an allowance for out-performance.

Expected long-term rates of return

The expected long-term rates of return applicable at the start of each period are as follows:

			Year ended 31 December 2010 % per annum	Year ended 31 December 2009 % per annum	Year ended 31 December 2008 % per annum
Equities			7.50	6.90	6.90
Bonds			5.60	5.64	5.64
Property			6.50	5.90	5.90
Cash			4.20	3.50	3.50
Overall for scheme			6.83	6.29	6.29
	Year ended 31 December 2010 £'000s	Year ended 31 December 2009 <i>E</i> '000s	Year ended 31 December 2008 E'000s	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Fair value of assets	16,308	15,363	14,830	18,052	17,808
Defined benefit obligation	(16,212)	(15,945)	(15,094)	(16,268)	(16,585)
Surplus/(deficit) in scheme	96	(582)	(264)	1,784	1,223
Experience adjustment on scheme assets	578	113	(3,937)	893	(244)
Experience adjustment on scheme liabilities	387	18	(114)	464	280



