The Real Good
Food Company plc

A Recipe for Growth

Annual Report & Accounts
For the 15 months ended 31 March 2012

Stock code: RGD

The Real Good
Food Company plc

Investor Proposition

'A Recipe for Growth'

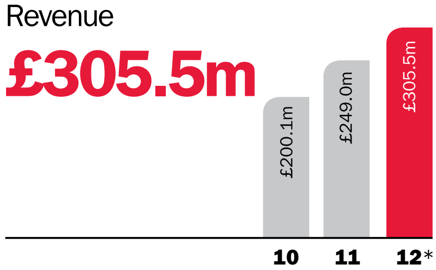
- Three year plan to double the business over the next three years to a turnover of £500 million with a 6% EBITDA
- Delivery of increasing shareholder value by avoiding dependency on any one business stream
- Five distinct yet complementary business units with a decentralised management structure
- Businesses operating across a broad range of sales channels: industrial, retail, foodservice and export
- Small but experienced central team providing support in key areas of people development, operational investment and brand revitalisation

For more information go to
www.realgoodfoodplc.com

Highlights

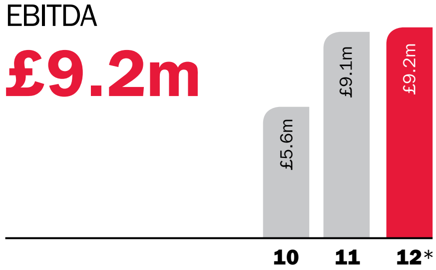
Revenue

£305.5m



EBITDA

£9.2m



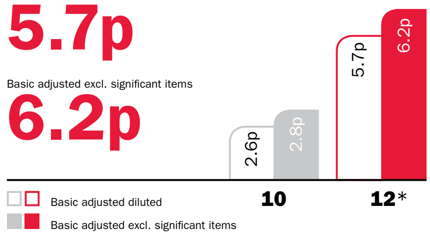
EPS

Basic adjusted diluted

5.7p

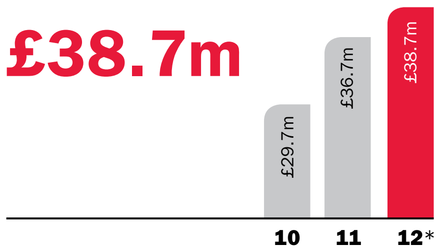
Basic adjusted excl. significant items

6.2p



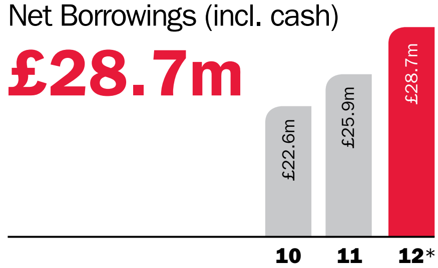
Working Capital
(Fixed Assets/Stock/Trade Debtors & Trade Creditors)

£38.7m



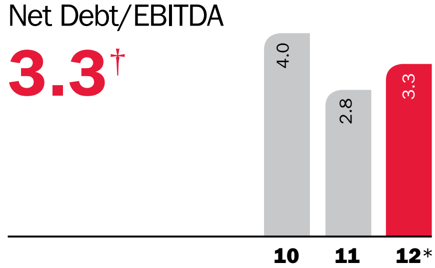
Net Borrowings (incl. cash)

£28.7m



Net Debt/EBITDA

3.3†



* Based on 15 months to 31 March 2012

† Based on 12 months to 31 March 2012

Operational Highlights

- Strong performance driven by focus on brand development and by driving sales growth
- EBITDA up 62% to £9.1 million in the 12 months to 31 December 2011 (2010: £5.6 million) — 15 months to 31 March 2012 reflecting usual seasonal pattern of trading in quarter one (January to March)
- Key trading divisions of Napier Brown, Garrett and Renshaw all increased their EBITDA performance year on year
- Significant improvement in EPS adjusted (fully diluted excluding significant items) at 5.7p for period ended 31 March 2012 up 119% on 2.6p at 31 December 2010
- Significant improvement in Net Debt/EBITDA ratio, down from 4.0 at 31 December 2010 to 2.8 at 31 December 2011 (31 March 2012 reflects normal seasonality profile)
- Net Debt of £28.7 million at 31 March 2012 is up against 2010 driven primarily by the increased value in the supply chain following the impact mainly of higher sugar costs, but still down on the position at 31 March 2011

Read more on pages 10-23

Change of Accounting Reference Date

In April 2011 the Board announced it was moving its accounting reference date from 31 December to 31 March to better align its financial reporting with its trading seasonality. The October to December period is especially busy generating most of the year's operating profits (approximately 58% of EBITDA was generated in 2011).

Prior to this change the Group was faced with preparing annual budgets and market updates for the current year before the key trading period results were known. Whilst we have had a good track record in meeting expectations over the last two to three years the Board believe this change will improve the quality and accuracy of reporting in the future.

To help retain transparency, where relevant the 2011 calendar year results are presented in this report alongside the 15 months to 31 March 2012 to aid comparison with the prior year.

Impact of Change

The Jan – March period is the Group's "quietest" trading period with EBITDA typically around the break-even level driven by the combination of the lowest sales levels in the year in this quarter with a relatively flat overhead base throughout the year.

This is evident in the trading comparatives with sales of £305.5 million for the 15 months to 31 March 2012, £56.5 million higher than the 12 months ended 31 Dec 2011 (£249.0 million) but profitability flat with EBITDA at £9.2 million and £9.1 million respectively. Given this, the key comparatives and commentary in this report will focus on comparing like with like, full year 2011 with 2010 (calendar) to ensure the underlying year on year trading is visible.

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), bakery ingredients (Renshaw), coatings and sauces (R&W Scott) and is also a manufacturer of sweet bakery products (Haydens) for a range of major retail customers.

Group Values

We believe that successful businesses are about having the right people in the right positions working as a team. We like to empower and support management teams to create and manage their growth plans. We try to instil ownership, enthusiasm and belief in our management teams and encourage an entrepreneurial spirit giving people the space to think. Our common values across the different businesses are:

Respect

Excellence

Customer focus

Involvement

Pride

Enthusiasm

— these form our RECIPE for growth.

Read more on pages 04-05

NAPIER BROWN
SUGAR SPECIALISTS

Napier Brown

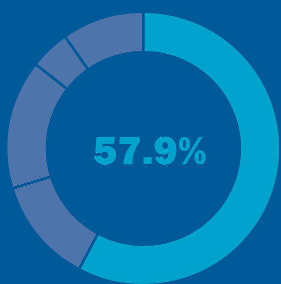
Sources sugar from the UK, mainland Europe and all around the world and supplies customers in the UK across all market sectors: industrial, retail, wholesale and foodservice.

Location: Normanton, West Yorkshire

Key products and brands

Napier Brown supplies bulk sugar in tankers to major multinational and UK food manufacturers as well as bagged sugar to smaller industrial users. Sugar is packed for retail at the Normanton site under the **Whitworths** brand and customer own label.

% of Group Turnover



Divisional Turnover

£176.9m

Garrett Ingredients

Garrett Ingredients

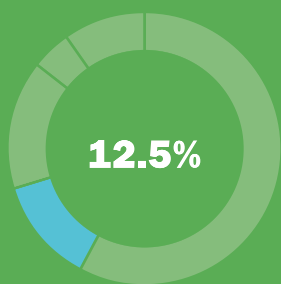
Sources dairy and other specialist food ingredients from across the UK, Eire and continental Europe and sells them (along with sugar sourced from Napier Brown) to large, medium and small food manufacturing businesses across the UK.

Location: Thornbury, near Bristol

Key products and brands

The dairy portfolio comprises dry powder mixes and bespoke blends as well as chilled and cultured products. Other specialist ingredients include dextrose, stabilisers and emulsifiers. The **Sunshine** brand of UHT ice cream mix has an unrivalled reputation in its sector.

% of Group Turnover



Divisional Turnover

£38.2m

Real Innovation.

Renshaw

A leading manufacturer of high quality food ingredients, primarily to the baking sector both in the UK and for export, Renshaw has a strong reputation for quality, consistency and innovation.

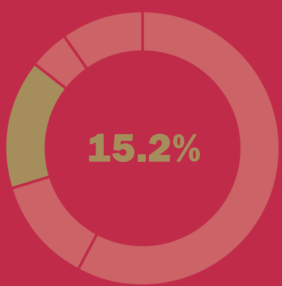
Location: Liverpool

Key products and brands

Sugarpaste, marzipan, soft icings, mallows, caramel

Customers include large food manufacturers, craft bakers, grocery and specialist retailers both in the UK and internationally. The **Renshaw** brand's reputation spans all customer sectors.

% of Group Turnover



Divisional Turnover

£46.4m

R&W Scott

Produces chocolate coatings and sauces, jams and dry powder blends for the industrial, retail, wholesale and foodservice markets.

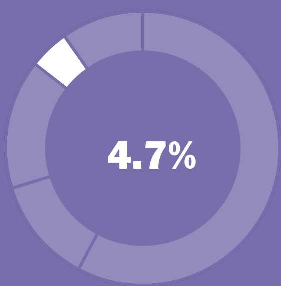
Location: Carluke, near Glasgow

Key products and brands

Chocolate coatings are supplied in liquid, drops and block formats. Jams are supplied both to food manufacturers and in jars for retail. Mixes are supplied in bags for food manufacturers.

The **R&W Scott** brand has a strong heritage and reputation for producing high quality jams in small batches.

% of Group Turnover



Divisional Turnover

£14.4m

Haydens Bakery

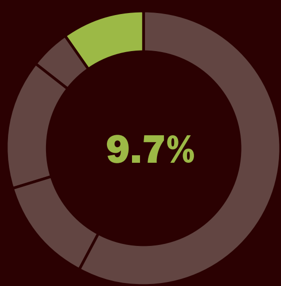
Produces an extensive range of high added value, hand finished, ambient, chilled and frozen patisserie and dessert products to retail and foodservice customers. Through its Hopton Distribution subsidiary, it also consolidates distribution of bakery products from other manufacturers to Waitrose.

Location: Devizes, Wiltshire

Key products and brands

Exclusive products are developed for **Waitrose** and **Marks and Spencer** in retail and **Costa** in foodservice.

% of Group Turnover



Divisional Turnover

£29.7m

Group Strategy

Our strategy is to avoid dependency on any one business or within any of our businesses. We aim to have a broad product and customer mix.

Each business is responsible for its own organic growth strategy but the Group will supply support and expertise in three key areas: People, Operations and Brands. Group Directors have been appointed for each of these functions to recognise their strategic importance.

A Recipe for Growth

Investment in People

As a Group we have at our heart an entrepreneurial spirit which is supported by able management teams equipped to ensure success is achieved through:

- Appropriate and enabled management structures within each business empowered to make effective decisions to its benefit and that of the customer
- The right people in the right roles with the right skills
- Clear direction and guidance, ensuring all colleagues are fully aware of the Group's aims and the role they have to play
- A culture of continuous improvement in all aspects of our businesses, but particularly in colleague development

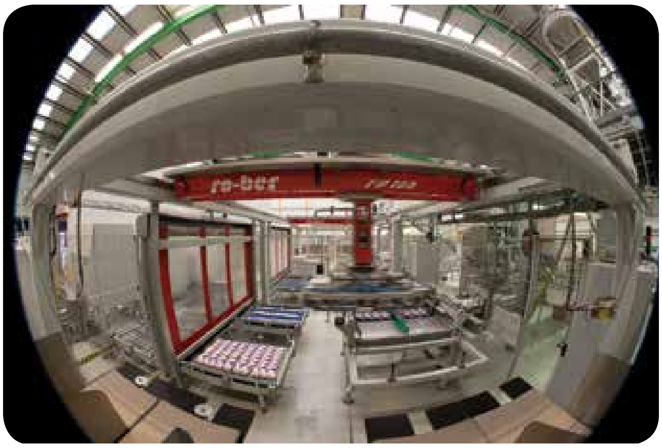
2011 saw further investment in our management teams across all divisions, resulting in strengthened and capable leadership teams able to bring focus and direction to each business. This will be further enhanced during 2012/13 as we fine-tune our existing teams and business structures, resulting in greater clarity and enhanced motivation and momentum.

Our local workforces also benefited from significant investment in terms of:

- Increased recruitment to reflect rising sales volumes
- Investment in training and development activities supporting national standards of competence within our field
- Enhancement of skills and knowledge in all aspects of food safety, health & safety, ethical standards and responsibilities
- Focused application of standards of operation and compliance in all respects

For 2012/13 our Group People Strategy will focus upon the further development of our colleague capability through activities developed across the Group but owned and applied locally in each business, tailored to suit specific needs. These activities, coupled with a robust and capable management team, will ensure our business is well equipped for further success.

Real Growth.



Picture: Robotic packaging machines at Normanton

Investment in our Operations

Each business has ambitious growth plans and needs strategic investment in both its capacity and operational capability to support these plans.

At Napier Brown, the retail strategy to provide differentiated packaging options will necessitate investment in new machinery while the plans to increase supplies of world sugars will require the business to invest in new sugar handling facilities.

At Renshaw the challenge is to invest in new capacity in line with the strong sales growth. As well as new equipment this will involve process and supply chain improvements which will help maximise output from existing facilities. R&W Scott will also need to adapt its production processes to handle the new added value products which it plans to launch.

Haydens has already embarked on an investment programme which is central to its new business model. The new distribution centre is now fully operational and has created the necessary space in the factory to enable investment which will both increase capacity and reduce costs.

The Group also provides each business with support in both purchasing and technical. A Group Purchasing Council has been set up to consolidate Group volumes on certain ingredients and materials in order to achieve economies of scale. Each site also receives technical support and training.

Investment in Brands

The Group has recognised the value which lies in a number of the brands which it owns and has begun a process of assessing their potential. The immediate focus is on Whitworths Sugar, Renshaw and R&W Scott, where we have created brand visions and strategies and have now embarked on plans to realise these.

The potential for each of these is exciting. **Whitworths** has extremely high prompted awareness as a brand associated with home baking and is well placed to bring some much needed innovation to the retail sugar market. The new FOR BAKING range of sugars in resealable pouches is now in supermarkets and further significant innovation is planned for 2013.

Renshaw has an unrivalled reputation for quality and expertise in cake decoration and here the opportunity lies in bringing this into the mainstream consumer market and developing it internationally. A number of innovative new products (e.g. Snip & Swirl) have already been launched while a new identity is being created to coincide with the brand's move into online sales.

R&W Scott has very strong quality and heritage credentials especially in Scotland. The production facilities also enable the brand to offer an extremely high quality product which meets current market trends. The brand also has potential to extend to other categories.

Our Main Markets

Sugar

The reform of the EU Sugar Regime which started in 2006 imposed reductions in production quotas down to 13.5 million tonnes on the beet producers and, with EU consumption at 16.5 million tonnes, turned the EU into a net importer from a net exporter. Most of the balance of 3 million tonnes was due to come from imports from countries with preferential duty free, quota free access to the EU.

These imports have not fully materialised as global shortages, high world prices and significant currency changes made local sales more attractive. As a result shortages have occurred in Europe over the past two years and the Commission in Brussels has been forced to implement emergency measures to ensure supplies. These have included allowing temporary increases in quotas and holding tenders for volumes of duty free or tariff reduced sugar to be imported. As a consequence, EU prices increased by up to 50% during 2011.

The EU Commission is currently considering changes to the Common Agricultural Policy from 2015. These include a proposal to abolish production quotas on beet sugar though many believe that this will be delayed to 2018 or even 2020.

FAST FACT...

Did you know?

Sugar has only 14 calories per teaspoon

Napier Brown has played a leading role in ASSUC (the European Association of Sugar Traders) in lobbying the Commission to ensure that there remain diverse options within the market and that any abolition of quotas does not simply concentrate market power in the hands of a small number of major beet producers.

Customers across Europe want choice and diversity and an alternative supply of competitively priced sugar. Napier Brown has been developing relationships with efficient world producers and is increasingly well placed to offer this, whatever changes to the regulatory framework eventually materialise.

Home Baking

Home baking is on the up! Take a few years of recession, add a fashion for cupcakes and you have the perfect recipe for a home baking revival. Sales of bakeware alone over the last two years have more than doubled and decorating and icing products are up by about 70% year on year.

The revival in home baking has helped the sector reach an annual worth of £576 million, according to the consumer research group Mintel, which estimates that 28% of people in the UK bake from scratch using raw ingredients at least once a week.

Behind this boom in baking is a brand new generation that is spending more quality time in the kitchen. A combination of ratings-grabbing television shows and a wealth of celebrity endorsements have helped shape the market.

The message is clear: home-made is best and making home-made gifts is a thoughtful way of treating and gifting.

These trends are extremely positive for Renshaw, Napier Brown and R&W Scott. The core Renshaw sugarpaste and marzipan ranges and the R&W Scott coatings business are already benefiting while all three businesses have new product plans to maximise the potential.

FAST FACT...

Did you know?

The home baking market is worth £576m

Renshaw has recently introduced a number of new decoration products while the new Whitworths for Baking range of premium sugars will target the growing number of new, “less confident” home bakers. R&W Scott is also gearing up to launch a number of new product formats to exploit these trends. Finally it is becoming clear that these trends are not confined to the UK and there are opportunities to exploit our brands and product ranges internationally.

Real Taste.

Dairy Ingredients

Continued consolidation of the UK dairy manufacturing industry has been and continues to be the biggest challenge facing Garrett Ingredients. As 2015 approaches and with it the removal of quotas, all dairy processors are looking to steer away from commodity ingredients and develop more niche and therefore added value offerings. The most recent example of this is best demonstrated with whey powder.

UK manufacturers have fallen from five to two in the last two years as the market has developed dramatically across the globe (predominantly China) for whey protein concentrates which give higher returns for the processor than whey powder.

The other main issue has been price volatility which has continued to embroil dairy markets over the past five years.

This has shown no sign of abating as global demands, political unrest, more variable UK and global weather patterns and currency fluctuations continue to influence all markets. For example, in 2011 market prices of skim and full cream milk powder increased by 30% in an eight-week period and then fell by 25% in the subsequent eight-weeks. In October 2011 butter prices reached a peak of around £3,900 per tonne only to fall back some 40% about five months later.

FAST FACT...

Did you know?

It takes approx. 11,000 litres of milk to make 1t of Skimmed Milk Powder

Garrett Ingredients' response to this has been to embark on a strategy of increasing its dairy supply base by introducing 15 new dairy ingredient manufacturers to its supplier portfolio and adding both Cargill and Friesland Campina to its ever growing list of distributorship partnerships.

This has helped negate some of this volatility and enabled Garretts to grow its customer base by offering a wider basket of products.

Premium Patisserie and Desserts

During 2011 our retail customers enjoyed modest growth despite recessionary fears. Increased competition between the supermarkets in general has driven more value for money proposition. This along with the use of promotions and "meal deals" was a key theme for 2011. Despite this, premium hand crafted products are still very much in demand and here, the range of premium sharing desserts we produce plays an important part of the weekly shop, specifically for the weekend and treat occasion.

In recognising the market factors above, for 2012/13 year we are developing ranges which encompass both the everyday and "midweek" needs of our consumers along with the continued desire to have hand crafted and premium patisserie and dessert products.

FAST FACT...

Did you know?

In Denmark danish pastries are called "Wiener-Brod" – bread from Vienna

The convenience sector in both our retail and food service customers saw double digit growth at Haydens with a number of new lines launched. In both market sectors we developed Danish and Tart products (our two key core competencies) which quickly became the best selling lines within their category. Following these successful launches in both "Food on the Move" and Coffee shops markets, we are in a strong position to drive real growth in these areas.

Chairman's Statement

I am very pleased with our achievements during 2011: we have delivered both significant growth in sales and EBITDA as well as setting out a clear course for how we intend to build the business over the next three years.

Overview

All divisions recorded sales growth and Group EBITDA increased to £9.1 million in 2011, an increase of £3.5 million on 2010. A significant proportion of this came from Napier Brown as we responded successfully to the market changes but the overall profit performance was supported also by strong results from Renshaw and Garrett Ingredients. Overall profits for the 15 month period to 31 March 2012 were in line with expectations.

Working capital levels generally have been higher during 2011 as compared to 2010 as a result of both supporting our growth plans and reflecting higher commodity prices, particularly in sugar. As at 31 March 2012 working capital of £38.8 million was up 8% on March 2011 (£35.9 million) but well within expectations.

Net Debt as at 31 March 2012 was £28.7 million (31 March 2011 – £29.4 million) in line with expectations with Net Debt/EBITDA levels reducing significantly from 4.0 in 2010 to 2.8 at 31 December 2011.

Omnicane

Omnicane is the biggest sugar producer in Mauritius and the largest ACP (African, Carribean, Pacific – countries with duty free access to the EU) producer of refined white sugar. Omnicane was created in 2009 as a strategic rebranding of Mon Tresor and Mon Desert Ltd, and is a fast growing business also involved in other agricultural, energy and logistics businesses in Mauritius. Omnicane has developed a world class, low cost model of cane sugar refining combined with electricity co-generation and has stated its strategic intent to develop this integrated model of sugar and energy production worldwide.

omnicane
Integrating Energies

The changes in the sugar market following the Sugar Regime reform period now give Napier Brown a very clear strategic focus. Customers in the EU are looking for alternative sources of sugar to provide competition to the reducing number of big EU beet producers. With our experience in sugar sourcing and our well-established routes to market we are well placed to provide this.

In this respect we are delighted that Omnicane, the biggest sugar producer in Mauritius, has decided to take a significant equity stake in RGFC. We have known them for many years and following their investment in the Company we have held positive discussions which lead us to believe that there are many mutual benefits to be realised from greater cooperation.

Omnicane, with its world class model of sugar cane refining combined with electricity co-generation, is a low cost producer of cane sugar. We believe that this model of refining cane sugar in the source country is the right one, not only for Mauritius but also for other cane producers across the world and we intend to work in partnership with Omnicane to develop this. Omnicane can provide the experience and expertise in cane refining and Napier Brown can provide the routes to market, particularly in Europe where customers want and need new supply sources.

Garrett Ingredients had an extremely successful period benefiting from the management focus we have given it and following a similar strategy to Napier Brown in widening its supply sources within dairy products. Its growth prospects come from developing both its product range and its customer base.

FAST FACT...

Did you know?

Annual world consumption of sugar is 167 million tonnes

Real Inspiration.

FAST FACT...

Did you know?

Nearly 20% of Renshaw's sales are for export

Renshaw has benefited from the growing interest in homebaking both in the UK and internationally and this growth has prompted us to review our vision for the brand. There is an exciting opportunity to broaden its focus from its original strength in the specialist crafting sector in the UK to a much wider consumer audience both in the UK and internationally. We see the web as a major facilitator for this.

Just as we have seen benefits separating Garrett Ingredients from Napier Brown and running it as a stand-alone business unit, we have started the same process with R&W Scott at Carluke. By separating it from Renshaw and investing in local management we have given its brand and product portfolios renewed focus which will begin to pay dividends during the course of this year.

At Haydens, 2011 saw the opening of the Hopton Distribution site which both created a new business stream and also critically freed up space for us to invest in the bakery. We now have three business streams, ambient, chilled and frozen, and a broadening customer base particularly in foodservice.

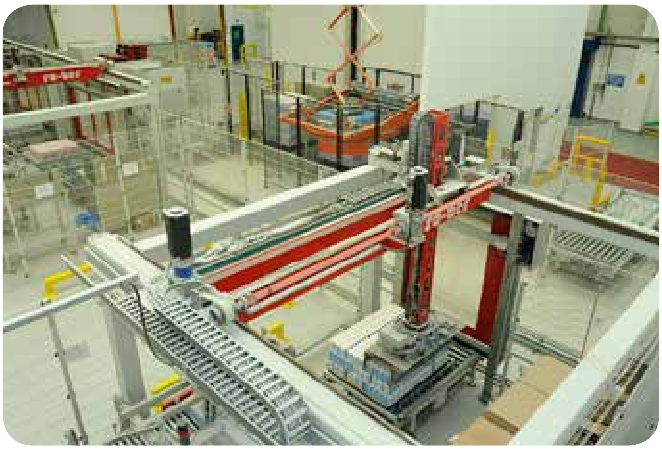
We have now implemented the best structure for the Group to facilitate our stated aim of doubling sales over the next three years. Whilst each division is responsible for its growth plans, we now have, in addition to the PLC Board, a Group Executive Board where individual Directors have group responsibilities across key areas such as HR, IT, Compliance & Governance, Operations and Marketing where it is clear cross divisional opportunities can be delivered.

Having the right people in the right roles is essential and we have to ensure that each business is resourced fully and effectively. The Group will help achieve this as well as ensuring consistent and high quality employment practices are observed across all our sites.

Our ambitious growth plans present some exciting challenges operationally and will require investment in new capacity. Again, at Group level we can assess the priorities and help smooth implementation of these projects to support the commercial plans.

Finally, we have discovered over the past two years some hidden gems in the brands we own and it is right that the Group provides quality support and direction in managing these assets. The recent new products have given us some indication of the potential for the Renshaw brand and we now have a significantly enhanced vision of its potential.

We believe R&W Scott can also be extended out from its core jam heritage. Meanwhile our revitalisation of the Whitworths brand in sugar has been enthusiastically greeted by the retail trade supporting as it does Napier Brown's overall strategy of providing customers with a differentiated supply option.



Outlook

In 2011 we delivered on our commitment to return to growth in sales and profitability. We are now embarking on an exciting period designed to transform the scale of the Group over the next three years. This strategy is rooted in robust plans produced by each individual business and we have restructured the Group to support these plans.

While the strategy is not dependent on any single business, we are fortunate to have the support of Omnicane as a major shareholder to work with us on our plans for Napier Brown, our biggest business. We also believe that Omnicane can also help us with our export ambitions.

I would like to take this opportunity to thank colleagues across all the sites in all our businesses for their enthusiasm and support without which we would not have achieved the progress that I have reported.

Pieter Totté
Chairman
29 June 2012

Divisional Review

NAPIER BROWN
SUGAR SPECIALISTS

57.9%
of Total Group Turnover

"'Multi-sourcing' will be central to our business proposition".

Jon Tanner
Managing Director

From its facility at Normanton, near Leeds, Napier Brown sources sugar from the UK, mainland Europe and worldwide, supplying customers in the UK across all market sectors: manufacturing, retail, wholesale and foodservice.

	15 Months ended 31 March 2012 £'000s	12 months ended 31 December 2011 £'000s	12 months ended 31 December 2010 £'000s
Revenue[1]	**176,885**	143,675	108,400
EBITDA	**4,383**	3,749	409
Operating profit[2]	**3,703**	3,220	(80)
Operating profit %	**2.1**	2.2	–

[1] Excluding inter-company trading.

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

2011/12 Review

2011 saw a dramatic change in the balance of supply and demand within the EU sugar market reflecting changes in the world market. The EU beet sugar production quotas and reduced import availability due to volatile world prices and currency fluctuations, produced shortages which in the UK were exacerbated by a significant failure of part of the beet crop. The shortage in the supply chain led to sugar prices increasing by approximately 40% at the start of 2011 allowing the market in general to return to more normal margins following the unsustainable levels triggered by regime change which affected profitability in 2008 through to 2010.

Revenue at £143.7 million for 2011 was up 32.6% on 2010 with volume growth accounting for 5.2% of this with the remainder being driven by passing on increased sugar costs. EBITDA at £3.7 million for 2011 reflects the recovery in margins over 2010. For the 15 month period both revenue and EBITDA reflect the usual lower activity in the January to March period in line with expectations.

The business had to move quickly to supplement its traditional supply routes in order to meet customer demands. This required us to buy sugar from a number of new sources all around the world: seven new countries in all. This exercise was logistically complex leading to an increase in costs and working capital but we were, at the same time, able to benefit from increased selling prices. More importantly the experience gained from handling these sugars and the new relationships we built up with sugar producers will stand us in good stead going forward.

Market prices remained high for the new contract season from October 2011 as supplies continued to be tight. Our contracted volumes increased as more major manufacturing customers decided to increase their number of suppliers and include Napier Brown within

Real Taste.

Case study: Whitworths Sugar

The Whitworths brand has a long association with home baking through its presence in the flour and dried fruit markets. Whitworths entered the sugar market in the late 1980s and has been instrumental in a number of market innovations such as Fair Trade sugars and the introduction of golden granulated sugar. Extensive consumer research over the past 12 months has reaffirmed the brand's strong awareness amongst consumers and a new brand proposition has been developed around the theme "Happiness is Whitworths Sugar". The brand logo has been brought in line with that being used in the dried fruit market. creating a much stronger brand presence in supermarkets.

This gives the platform for a number of innovative launches, the first of which is the new Whitworths for baking range in resealable pouches and the "Twist and Sprinkle" sugar mill. Both are now in major supermarkets. A number of further new products and ranges are planned over the next 12 months.

their supply portfolio. This combination of higher volumes and higher market prices led to significant revenue increases year on year.

Margins returned to more sustainable levels within the sector though delays in retail price increases and continued competition within the retail arena meant that margins remained depressed in this sector. The need to buy in sugars from a range of new sources increased working capital requirements.

Current Trading

Sales of retail sugars have improved over the past few months as the marketing plans we have been working on have begun to bear fruit. In retail we now have a very distinctive branded offering targeted at all retailers as opposed to relying on one or two price driven private label contracts. A new marketing department has been set up and a brand manager, a category manager and a new account manager recruited. Brand and PR agencies have been appointed to revitalise the Whitworths brand and bring new ranges to the market. The new "Whitworths for Baking" range of sugars in innovative, resealable pouches has gained good listings in major multiples and early orders are strong.

Meanwhile industrial sales have also been buoyant as we have increased our market share with strategic partners who recognise our ability to supply sugar through new routes thus providing security of supply, best-in-class service and competitive pricing.

Outlook

The business has embarked on a number of new initiatives to develop its strategy. "Multi-sourcing" will be central to our business proposition and customers are keen for us to continue to offer alternative supply options to the major EU beet sugar producers. In this respect we continue to develop relationships with new supply sources and are planning to invest in an infrastructure which can handle a range of sugars from different sources efficiently and cost-effectively.

We have already begun contracting sales for the new season from October and have gained a number of new customers. Meanwhile our new Whitworths branded range has enabled us to extend our customer base in retail while we continue to work on further innovations and new products for 2013.

For more information go to **www.napierbrown.co.uk**

Divisional Review

12.5%
of Total Group Turnover

Garrett Ingredients

"Sales growth will come from both increasing the product range and the breadth of the customer base."

Tom Fowler
Managing Director

Based at Thornbury, near Bristol, Garrett sources dairy and other specialist food ingredients from across the UK, Eire and continental Europe for supply (along with sugar sourced from Napier Brown) to large, medium and small food manufacturing businesses across the UK.

	15 Months ended 31 March 2012 £'000s	12 months ended 31 December 2011 £'000s	12 months ended 31 December 2010 £'000s
Revenue[1]	**38,181**	30,776	25,584
EBITDA	**3,231**	2,747	1,182
Operating profit[2]	**3,231**	2,747	1,182
Operating profit %	**8.5**	8.9	4.6

1 Excluding inter-company trading.

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

2011/12 Review

Turnover increased during 2011 by 20.3% to £30.8 million driven by a 5.3% volume increase in dairy ingredients and higher commodity prices. Much of the focus during the year was on ensuring product availability by increasing the supplier base in dairy powders, butters and cheese from the UK, Ireland and continental Europe. In addition, two new distributor partnerships in the UK were signed with Friesland Campina for sweet condensed milk and Cargill for dextrose.

A high proportion of the division's sugar sales are "spot" and sales prices increased during the early part of the year as sugar supplies were short due to the UK crop difficulties and, as with the Napier experience, this also allowed the business to rebuild sugar margins to "normal" levels following the upheavals during regime change. Garretts had the same experience in sugar as Napier with margins being restored to more sustainable levels as seen in the EBITDA performance for 2011 of £2.7 million. The 15 month period captures the usually less profitable January to March period.

Current Trading

Garrett's historic strength with small food manufacturers is now being complemented with a growing customer base amongst larger manufacturers where dairy and sugar may not be a core ingredient and where Garrett can offer excellent service and security of supply. Dairy markets have been relatively quiet recently while sugar sales have continued to be strong.

The Sunshine Ice Cream mix brand has been relaunched for summer 2012 while work is under way with a number of customers to produce bespoke added value blends utilising the mixing plant at the R&W Scott site in Carluke.

Real Taste.

The sales operation is being restructured following the appointment of Paul Carlisle as Sales Director and the setting up of a dedicated telesales operation at the head office in Thornbury. This is being supported by investment in IT systems and associated training.

For more information go to **www.garrettingredients.co.uk**

Outlook

With the UK Dairy supply base consolidating, plans are in place to increase sourcing from further afield and open up trading channels with manufacturers and supply partners from continental Europe and beyond. An integral part of the three year plan is to increase the supply partner base, either as simply a customer for the supplier or as a dedicated distributor for the manufacturer's ingredients to the UK and Irish food manufacturing market.

Sales growth will come from both increasing the product range and the breadth of the customer base. Negotiations are under way on several potential new distributorships and supply agreements focusing on areas such as whey powder, where the number of UK manufacturers has decreased leading to reduced availability.

Case study: Sunshine Ice Cream

Sunshine Ice Cream Mix is one of the leading brands in the wholesale UHT ice cream mix sector. It was established some 20 years ago and has a well-deserved reputation for quality and reliability across the whole of the UK and Ireland.

The brand has recently been refreshed with a new contract manufacturing partner and upgraded recipe introduced alongside new marketing material which has enabled Garretts to widen its distribution across the country. This will be supported by telesales campaigns particularly coinciding with bank holidays and periods of hot weather when sales can increase dramatically.

Divisional Review

15.2%
of Total Group Turnover

"2011 was another successful year. Revenue grew by 12.5%."

Sarah Summers
Commercial Director

Operating out of its Liverpool facility Renshaw is a leading manufacturer of high quality food ingredients, primarily to the baking sector both in the UK and for export with a strong reputation for quality, consistency and innovation.

	15 Months ended 31 March 2012 £'000s	12 months ended 31 December 2011 £'000s	12 months ended 31 December 2010 £'000s
Revenue[1]	**46,368**	38,624	34,325
EBITDA	**5,816**	5,966	5,437
Operating profit[2]	**4,908**	5,222	4,767
Operating profit %	**10.6**	13.5	13.9

[1] Excluding inter-company trading.

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

2011/12 Review

2011 has seen another successful year with revenue growing by 12.5% to £38.6 million (2010 £34.3 million) driven by both domestic and international sales with EBITDA at £5.9 million also up on 2010 (9.7%). The reported period (15 months to March 2012) appears to buck this trend. However, Renshaw is an exceptionally seasonal business with the bulk of its trading profits generated in the last few months of the calendar year. Quarter one 2012 has generated a small loss at EBITDA level, in line with our expectations, seasonality and prior years.

In the UK the Renshaw brand extended its presence in both the retail and craft sectors while export sales continued to show growth both in the core business in the USA as well as other markets such as Scandinavia. This was recognised when The Liverpool Daily Post awarded Renshaw the title "Regional Exporter of the Year" for 2011.

Retailers and the media are maintaining a strong focus on both homebaking and cake decorating. Renshaw has sought to capitalise on this with a range of new innovative products that have begun to gain new distribution in both mainstream and specialist craft retailers.

Sales growth led to the Liverpool manufacturing site producing record tonnage during the year, including 76 new retail products. This was achieved through a combination of 24 hour working and a rationalisation of shift patterns to improve continuity and capacity. Investment in new extruding and packing equipment was also required to meet the demand.

Real Taste.

Current Trading

Sales have remained strong both domestically and internationally and the business has invested in people to manage this growth across all the sales channels.

The Commercial team has been restructured to focus on the three main channels of Industrial, Consumer and Export while plans are in place to develop a new e-commerce channel. The Development team has been upgraded with new appointments including a focus on packaging. In addition, a new dedicated Operations Director for the Liverpool site has recently joined the business.

Outlook

It is clear that the homebaking trends which are being experienced in the UK are being replicated in many other countries and research has begun into identifying the areas of greatest potential. Our vision is to develop the Renshaw brand globally as an expert in cake decorating and we see the creation of a branded e-commerce sales channel as central to this.

For more information go to
www.renshawnapier.co.uk

Case study: Renshaw International

Making and decorating cakes is not just a British obsession. Renshaw currently exports about 20% of its sales and overseas has been identified as a major growth opportunity. The brand already has presence in a wide range of countries from France, the Netherlands and Finland in Europe to Australia and New Zealand, Malaysia and Singapore in the Far East as well as South Africa. Distributor arrangements are currently being set up in a number of countries while the brand's online plans will also enable it to penetrate the growing number of consumers around the world who enjoy cake decorating.

Divisional Review

4.7%
of Total Group Turnover

"The business plan is to increase turnover to £25 million within three years."

John Easton
Managing Director

R&W Scott at its Carluke facility south-east of Glasgow produces chocolate coatings and sauces, jams and dry powder blends for the industrial, retail, wholesale and foodservice markets.

	15 Months ended 31 March 2012 £'000s	12 months ended 31 December 2011 £'000s	12 months ended 31 December 2010 £'000s
Revenue[1]	**14,437**	11,791	8,468
EBITDA	**(1,044)**	(829)	18
Operating profit[2]	**(1,338)**	(1057)	(192)
Operating profit %	**(9.3)**	(9.0)	(2.3)

[1] Excluding inter-company trading.

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

2011/12 Review

2011 proved to be a tough year for the business which incurred significant material cost increases which were not being recovered in sales price increases until late in the year. As a consequence of the delay in passing on costs and due to production inefficiences on a changing sales mix, EBITDA for 2011 fell to a loss of (£0.8 million) over the previous year with the 15 month period presenting a similar picture, whilst underlying volumes were static against the prior year.

In order to address this the Carluke site was established as a separate trading division from Renshaw during the latter half of 2011, under its old trading name R&W Scott, in order to bring more commercial focus to its key product areas of chocolate coatings, sauces, jams and dry powder blends.

2011 saw overall volumes at the site increase to 7,400 tonnes helped by the re-siting of the dry powder mix from Napier Brown in Normanton.

To support this volume growth, further capital investment was made in the site in the areas of malted filling capacity, refining capability and retail packing as well as upgrades from an environmental and health and safety perspective.

Current trading

I am pleased to report the current year has started strongly and has returned to profitability. Delivered margin (gross profit after distribution before overheads) aspirations for 2012/13 are to move from the 12% achieved in 2011/12 to above 20%. Run rate in the first quarter is in line with plan due to improved pricing, increased output of higher value added lines and focus on improvement initiatives. Business development plans are in place to continue to drive margin improvement and return EBITDA back to positive.

Real Taste.

Outlook

The vision for R&W Scott is to transform the Carluke site from being a manufacturer of largely commodity products to an added value, innovative and commercial business utilising the site's considerable brand heritage, skills and capabilities.

A new site based management team has been established to bring focus to the business across all sales channels: industrial, foodservice and retail. Using our experience to create new recipes, made in innovative ways and that have lifestyle appeal, is the key to brand development, improved product offerings and to delivering growth. The first example of this is the revitalisation of the R&W Scott brand with an exciting new range of naturally sweet retail jams due to appear in supermarkets later this year.

The business plans to increase turnover to £25 million within three years and the site has both the capacity and capability to deliver this. Product development in tune with the needs of the consumer today will drive the business to be a brand led enterprise supported by investment in facilities, plant and new product support.

Picture: Jam boiling pans at Carluke

For more information go to
www.randwscott.com

Case study: R&W Scott

R&W Scott of Carluke has a strong heritage in Scotland, having made jam for over 130 years. The business is prominent in the locale, with the town renowned for the "jam works".

That jam making continues today with small batch production, hand stirred, in traditional open copper pans. The open pan method is essentially a larger scale version of the method a home jam maker would use.

Historically, the fruit for all R&W Scott jams was sourced from local farms and for our Scottish berry preserves range we continue this tradition by sourcing Scottish fruit. The new designs for the new premium range of high fruit jams are a modern representation of the brand's heritage.

Divisional Review

9.7%
of Total Group Turnover

"Commercially, the business continued to thrive with over 30 new products launched."

Paul Smith
Managing Director

From its site in Devizes, Wiltshire, Haydens Bakery produces an extensive range of high added value, hand finished, ambient, chilled and frozen patisserie and dessert products to retail and foodservice customers. Through its Hopton Distribution subsidiary, it also consolidates distribution of bakery products from other manufacturers to Waitrose.

	15 Months ended 31 March 2012 £'000s	12 months ended 31 December 2011 £'000s	12 months ended 31 December 2010 £'000s
Revenue[1]	**29,658**	24,184	23,327
EBITDA	**(604)**	(398)	415
Operating profit[2]	**(1,333)**	(961)	(238)
Operating profit %	**(4.5)**	(4.0)	(1.0)

1 Excluding inter-company trading.

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

2011/12 Review

As reported previously, Haydens had a difficult year in 2011 on two fronts: significant material cost increases which were not reflected in sales price increases until quarter four and the factory development started later than planned preventing management from delivering the cost reduction opportunities from production efficiencies and improved material usage.

Revenue growth of 3.7% in 2011 was not sufficient to offset the combined impact of these pressure points resulting in EBITDA dropping to a loss (£0.4 million) in 2011 with the trend largely the same for the 15 month period.

Commercially the business continued to thrive with over 30 new products launched, focusing on the bakery's core processes. These new products included premium dessert products for the "Heston" brand in Waitrose through to individually packaged Danish products and were developed under the supervision of Executive Chef Ross Sneddon who has recently been awarded the honour of Master Chef-Patisserie. New formats of Haydens' high quality products are part of the division's strategy to broaden its exposure to new customer channels such as impulse, convenience and foodservice.

The new Distribution Centre for Waitrose opened in April 2011 and this has enabled the three year bakery modernisation programme to begin with blast chilling and freezing capability planned to be in place by mid-2012. These changes are critical to delivering production cost and material usage efficiencies as well as reaching new sales channels. Meanwhile there has also been investment in tart and pie capacity required to meet growing demand.

Real Taste.

Current Trading

There continues to be strong demand for the Company's added value products, with over 15 new patisserie and dessert launches in the late spring of this year. Additionally, new food service products were launched in line with Haydens' strategy to develop the full potential in this sector.

In the immediate future, the focus is on increasing efficiencies and reducing costs through the implementation of the factory development programme, delayed from last year. This is now live and stage 1 benefits should start to materialise from the third quarter of this year.

Outlook

The division has a clear strategic plan to focus its new product development in its areas of expertise and broaden its customer base by exploiting its quality credentials across a range of trade channels. The capability to utilise ambient, chilled and frozen supply chains is central to this.

The factory development programme is being delivered by a new highly motivated Operations team, led by newly appointed John Larsen. The team is committed to delivering significant return on this investment within the current financial year. This plan, coupled with aspirations for strong sales growth in the second half of the year, is providing the management with reason for optimism.

For more information go to
www.haydens-bakeries.co.uk

Case study: A Royal Treat

To celebrate the Royal Wedding our Executive Chef Ross Sneddon developed a premium chilled dessert in conjunction with the development teams at Waitrose and Heston Blumenthal.

The dessert was developed to be both stunning in appearance whilst maintaining a five day shelf life and consistency in manufacturing. The development and production teams worked closely on the project as we had to produce and deliver maximum volumes over just a five day period over the Royal Wedding and Bank Holiday weekends.

The product was an absolute success scoring highly with pundits and was very well received by consumers, Waitrose and the Heston teams. As a result of the teams' efforts Haydens received an award from Waitrose in 2011 for "going the extra step" to deliver an outstanding product.

Finance Director's Report

On a like for like basis, for the 12 months ended 31 December 2011 v 31 December 2010, the Group grew in volume by 5.3%, EBITDA was up 62% at £9.1 million and we delivered a significant improvement to the Net Debt/EBITDA ratio down from 4.0 to 2.8

Accounting reference date

As commented on at the start of this report, the change in the accounting reference date will improve the Group's budgeting and forecasting routines, and consequently in providing stakeholders with commentary and trading updates. At this time, however, we "tag on" our lowest trading quarter to our normal twelve month period creating some "noise" around understanding the underlying performance and trend. In order to overcome this, emphasis in the commentary is placed on comparatives with like for like "calendar" performance for 2011 versus December 2010. Additional commentary on the March 2012 position is included where appropriate.

Revenue

Group revenue from continuing operations for the 15 months to 31 March 2012 was £305.5 million. 2011 (January to December) at £249.0 million is on a like for like basis approximately 25% up (£48.9 million) on 2010 at £200.1 million. Of this £48.9 million year on year increase, approximately 80% (£40.5 million) is from the Napier and Garretts businesses with £30.2 million of this increase "value driven", reflecting the increased commodity costs, primarily sugar, and passed on in sales prices to customers.

Overall on a like for like basis the Group grew in volume terms by 5.3% in 2011.

Key Comparatives

(Continuing Operations excluding Significant items)

	15 Months ended 31 March 2012 £'000s	12 months ended 31 December 2011 £'000s	12 months ended 31 December 2010 £'000s
Revenue	**305,529**	249,040	200,104
Gross Profit	**39,626**	33,472	23,879
Delivered Margin (Gross Profit after Distribution costs)	**26,617**	22,887	15,826
EBITDA	**9,185**	9,112	5,637
Operating profit (EBITDA less Depreciation)	**6,564**	7,041	3,609
Operating profit %	**2.1%**	2.8%	1.8%
PBT (After Financing & Pension costs)	**4,910**	5,737	2,343

Real Profit.

Margins

Delivered Margin for the 15 month period was £26.6 million resulting in EBITDA of £9.2 million with the 2011 calendar year at £22.9 million up 44.6% on 2010 (£15.8 million). This increase is a result, primarily, of trading margins in sugar returning to more normal sustainable levels following the upheavals in the Sugar Regime that adversely affected profitability from 2008 through to 2010.

Profit before Tax and Interest

Overall profits for the 15 month period and 2011 calendar year were in line with expectations driven by the recovery in Sugar in Napier and Garretts.

Financing Costs

Financing costs for the 15 months at £1.9 million were in line with the 2011 "run rate" of £1.5 million (2010 – £1.4 million).

Significant Items

During the 15 months the Group incurred one-off costs of £0.55 million due mostly to the reorganisation of the Haydens operation, £0.43 million, a continuation of the modernisation programme started in 2010. £0.12 million was incurred in the liquidation and winding up of dormant subsidiaries and the hive down of Haydens trading from the plc entity into its own limited company. The tidying up of this structure will reduce administration and increase transparency for stakeholders.

WC & Net Debt

	31 March 2012 £'000s	31 December 2011 £'000s	31 December 2010 £'000s
Working Capital (Fixed Assets/Stock/Trade Debtors & Trade Creditors)	**38,750**	36,708	29,667
Net Borrowings (Incl. Cash)	**28,655**	25,883	22,636
Net Debt/EBITDA	**3.3***	2.8	4.0

* Based on 12 months to March 2012.

Picture: Sugar cane

Finance Director's Report

Cash Flow and Debt

Working Capital levels have increased (24% as at 31 December 2011) over 2010 levels reflecting primarily increased material costs which are not expected to ease in the short term. The Group has also maintained higher stock levels especially in sugar following the problems experienced in the supply chain last year.

These factors have pushed debt levels up, with Net Debt up 14% at 31 December 2011 compared to 31 December 2010, although this is in line with expectations and well within our funding facilities.

Net Debt (after Cash) as at 31 March 2012 was £28.7 million (31 March 2011 £29.4 million) reflecting the normal seasonality through the year.

However, underlying Debt levels as compared to EBITDA (Net Debt to EBITDA) have reduced significantly from 4.0 in 2010 to 2.8 at December 2011. March 2012 has moved up since December 2011 but this is in line with expectations and follows our normal seasonality.

Pensions

Two subsidiaries, Napier Brown Foods Limited and Renshawnapier Limited, operate a defined benefit pension scheme which is closed to new members. The IAS 19 valuation of the scheme at 31 March 2012 identified a £1.1 million deficit, a deterioration of £1.1 million since December 2010. The scheme's assets have largely retained their value since 2010 with the deficit mainly driven by the fall in discount rates at the present time increasing the present value of future benefits. The Group is proactive with the trustees in managing the scheme and not losing sight of the fact that key market drivers are weak and presenting a negative view at this time. During the period the Group contributed £177k (2010: £117k) to the scheme.

Key Performance Indicators

The Board of Directors 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.

The 2011 Calendar as compared with 2010 breaks from the underlying trends with improvement across all areas, with the 15 month period to March capturing the seasonality of the January to March quarter which dilutes the picture.

	15 Months ended 31 March 2012	12 months ended 31 December 2011	12 months ended 31 December 2010
Revenue growth[1]	**n/a**	24.5%	(7.2%)
Operating margin[2]	**2.1%**	2.8%	1.8%
Debt cover (net debt:EBITDA)[3]	**3.3***	2.8	4.0
Interest cover[4]	**4.8**	7.0	4.5
Health & Safety score[5]	**n/a**	83%	80%

* Based on 12 months to March 2012

[1] Revenue growth is calculated for continuing operations.

[2] Operating margin is stated for continuing operations only and is calculated by dividing operating profit before tax, interest and 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 receivables).

[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.

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. As last year recent market experience, and outlook, for some raw materials indicate continued pressure for sales prices to be flexed accordingly although there are some signs of the economy's slowdown having an impact in some areas.

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 €404.4/ton (following the reduction in October 2008 to €561.5/ton from €631.9/ ton which had been in operation since 1993) and the simultaneous reduction in beet quotas within the EU to 14 million tonnes.

This process caused considerable instability in the Sugar market and for all its operators from 2008 through 2010. With these changes now completed and no further change until 2015 at the earliest the market in the EU returned to more normal trading margins during 2011. The EU is being lobbied at the moment by all interested parties on what the next changes should involve and when they should happen. However, it is clear our multi sourcing strategy is going to be a key dynamic in ensuring that we achieve our growth plans through this process.

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

Health & Safety is discussed at all monthly Divisional reviews and reported to the Group 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. During the year the Group started to purchase consumer market data in order to track changes in trends in general as well as tracking performance of the Whitworths and Renshaw brands.

h) Bribery Act

As part of improving governance and to comply with the Bribery Act the Group has carried out a risk assessment and implemented a bribery policy throughout the Group. Adherence to this policy is monitored by the Divisional Finance Directors with updates planned for the plc Board on progress and compliance.

M J McDonough
Group Finance Director
29 June 2012

Directors and Advisers

Mike McDonough **Pieter Totté** **Peter Salter** **Christopher Thomas**

Advisers

Directors
P W Totté
M J McDonough
P G Ridgwell
P C Salter
C O Thomas

Company Secretary
D P Newman

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EXECUTIVE DIRECTORS

Pieter Totté

(Executive Chairman)

Aged 61, 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 21 years. He is retained as an adviser to various companies operating in the food sector.

Mike McDonough

(Group Finance Director)

Aged 53, joined the Renshaw business in 1989 as management accountant when the business was owned by the Schwartau Group. He was appointed Finance Director in 1993 holding this role as the business developed and expanded under the ownership of the Swiss based Hero Group. He was appointed Group Finance Director of RGFC plc in 2009.

NON-EXECUTIVE DIRECTORS

Patrick Ridgwell

(Non-Executive Deputy Chairman)

Aged 66, has extensive experience of the sugar industry and other food sectors, having acquired and developed a number of food businesses during his career. He 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 family interests. He is also a director of Napier Brown Ingredients Limited.

Peter Salter

(Non-Executive Director)

Aged 63, is a financial and business consultant with much experience over the past ten years within the food sector and AIM as a Non-Executive Director. Previously in practice for 20 years as a tax partner with Chartered Accountants Crowe Clark Whitehill, latterly as CEO, he moved on in 1998 to pursue a career in international corporate consultancy where he advised on a number of mergers, acquisitions and fundraisings, working in the process with various financial institutions in the UK and USA. He is chairman of the Audit and Remuneration Committees of the Group.

Christopher Thomas

(Non-Executive Director)

Aged 67, qualified as a chartered accountant in 1969. In 1973 he joined Breakmate Limited, a vending business, which was admitted to the Unlisted Securities Market in 1984. He joined the Napier Brown Foods Group in 1992 as Group Finance Director and was involved in the day-to-day operations of the Group and before becoming Chief Executive Officer of Napier Brown Foods. He is a Non-Executive Director of AG Thames Ltd.

Report of the Directors

15 months ended 31 March 2012

The Directors present their report and the audited financial statements for the 15 month period ended 31 March 2012.

Statement of Directors' responsibilities

The statutory 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 statutory 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 statutory 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 judgements 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 10 to 19. The financial position of the Group, its cash flows and liquidity position are described in the Finance Director's Report on pages 20 to 23. In addition notes 2 and 3 to 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, enables 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 financial statements.

Provision of information to auditors

Each person who is a Director at the time when this Report of the Directors 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 five operating divisions.

Napier Brown	The distribution of bulk sugar and manufacture and supply of packed sugar to the retail and industrial food sectors.
Garrett Ingredients	The distribution of bagged sugar and dairy products to the industrial food sector.
Renshaw	The manufacture and supply of marzipan, and ready to roll icing to the industrial and retail sectors.
R&W Scott	The manufacture and supply of chocolate coatings and jam to the industrial and retail sectors.
Haydens	The manufacture and supply of high quality ambient cakes and desserts to the retail sector.

Business review and future developments

These topics are covered in detail within the Chairman's Statement, Divisional Reviews and Finance Director's Report on pages 8 – 23.

Results and dividends

The Group's revenue from continuing operations for the 15 month period was £305,529k (2010 – £200,104k), yielding a gross profit of £39,626k (2010 – £23,879k) and an operating profit of £6,564k (2010 – £3,609k) from continuing operations.

There were no discontinued business operations during the period.

The Group's profit for the period after taxation was £3,614k (2010 – £1,523k). This gives a basic earnings per share of 5.6 pence (2010 – 2.3 pence).

The Group ended the period with net assets of £82,836k (2010 – £79,984k) and cash balances of £2,506k (2010 – £3,187k). 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 15 months ended 31 March 2012 (2010 – £Nil).

Significant items

During the 15 month period the Group incurred reorganisation costs of £550k (2010 – £395k); details are given in note 6.

Non-current assets

Details of changes in non-current assets are given in notes 16, 17 and 18 to the financial statements. The current book value of £7.6 million represents the best estimate of the value of the properties.

Directors

The beneficial interests of the Directors in the Ordinary Share Capital of the Company at the financial period end are set out below:

	31 March 2012	31 December 2010
P W Totté*	**2,624,124**	2,474,124
P G Ridgwell†	**22,502,354**	22,502,354
P C Salter	**31,000**	5,000
C O Thomas	**200,363**	152,363
M J McDonough	**22,000**	–

* 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 Limited on behalf of Menton Investments Limited. P W Totté holds a further 699,124 shares directly.

† 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.

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

Substantial interests

At 31 March 2012 there were the following substantial interests (3% or more) in the Company's Ordinary Share Capital:

	% Holding in Ordinary Share Capital
Napier Brown Ingredients Limited	34.1%
Henderson Global Investors	5.5%
J M Finn Nominees	5.2%
Barclayshare Nominees	4.2%
Merchant Securities	3.3%

Directors' indemnities

The Company has paid £14,887 (2010 – £14,726) in respect of Directors' and Officers' Indemnity Insurance.

Report of the Directors

15 months ended 31 March 2012

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 not be relied upon to give the disclosure that would normally be made.

The Board maintains an appropriate relationship with the Group's auditors through the Audit Committee, comprised of P C Salter and C O Thomas. 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 of 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 P C Salter 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 28 days' purchases outstanding (2010 – 36 days) calculated on the ratio of trade payables to total purchases, adjusted for the 12 month period to allow like for like comparison with the December 2010 position.

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 period 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 linked to profitability and personal objectives 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 period the Group made charitable donations of £5,062 (2010 – £2,950). No political donations were made during the current or previous financial period.

Research and development

During the period the Group incurred costs of £807k (2010 – £482k) in relation to research and development of new products. These costs included costs associated with development chefs, development technologists and materials consumed in product development.

Auditors

The auditors, Crowe Clark Whitehill LLP, will be proposed for reappointment in accordance with Section 489 of the Companies Act 2006.

This report was approved by the Board on 29 June 2012 and is signed on its behalf by

P W Totté
Chairman

M J McDonough
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 15 months ended 31 March 2012 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 30.

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 shareholders, 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 shareholders those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, 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 Highlights, Chairman's Statement, Divisional Reviews, Finance Director's Report and the Report of the Directors 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 March 2012 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; 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 period 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

29 June 2012

Consolidated Statement of Comprehensive Income

15 months ended 31 March 2012

Continuing Operations	Notes	15 months ended 31 March 2012 Before significant items £'000s	Significant items (Note 6) £'000s	Total £'000s	12 months ended 31 December 2010 Before significant items £'000s	Significant items (Note 6) £'000s	Total £'000s
REVENUE	4	**305,529**	**–**	**305,529**	200,104	–	200,104
Cost of sales		**(265,903)**	**–**	**(265,903)**	(176,225)	–	(176,225)
GROSS PROFIT		**39,626**	**–**	**39,626**	23,879	–	23,879
Distribution costs		**(13,009)**	**–**	**(13,009)**	(8,053)	–	(8,053)
Administration expenses		**(20,053)**	**(550)**	**(20,603)**	(12,217)	(395)	(12,612)
OPERATING PROFIT	8	**6,564**	**(550)**	**6,014**	3,609	(395)	3,214
Finance income	9	**–**	**–**	**–**	5	–	5
Finance costs	10	**(1,896)**	**–**	**(1,896)**	(1,365)	–	(1,365)
Other finance income	11	**242**	**–**	**242**	94	–	94
PROFIT BEFORE TAXATION		**4,910**	**(550)**	**4,360**	2,343	(395)	1,948
Income tax expense	14	**(859)**	**113**	**(746)**	(536)	111	(425)
PROFIT FROM CONTINUING OPERATIONS		**4,051**	**(437)**	**3,614**	1,807	(284)	1,523
OTHER COMPREHENSIVE INCOME							
Actuarial (losses)/gains on defined benefit plans		**(1,499)**	**–**	**(1,499)**	488	–	488
Income tax relating to components of other comprehensive income		**360**	**–**	**360**	(137)	–	(137)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**2,912**	**(437)**	**2,475**	2,158	(284)	1,874
Earnings per share from continuing and discontinued operations:	15						
– basic				**5.6p**			2.3p
– diluted				**5.1p**			2.2p
Earnings per share from continuing operations:	15						
– basic				**5.6p**			2.3p
– diluted				**5.1p**			2.2p

The Notes on pages 37 to 74 form part of these financial statements.

Consolidated Statement of Changes in Equity

15 months ended 31 March 2012

	Issued Share Capital £'000s	Share Premium Account £'000s	Share Option Reserve £'000s	Retained Earnings £'000s	Total £'000s
Balance as at 1 January 2010	1,300	68,870	73	7,787	78,030
Share options to be issued	–	–	34	–	34
Deferred tax on share options	–	–	46	–	46
Total comprehensive income for the year	–	–	–	1,874	1,874
Balance as at 31 December 2010	1,300	68,870	153	9,661	79,984
Balance as at 1 January 2011	1,300	68,870	153	9,661	79,984
Share options to be issued	–	–	38	–	38
Deferred tax on share options	–	–	335	–	335
Shares issued in period	–	4	–	–	4
Total comprehensive income for the period	–	–	–	2,475	2,475
Balance as at 31 March 2012	**1,300**	**68,874**	**526**	**12,136**	**82,836**

The Notes on pages 37 to 74 form part of these financial statements.

Company Statement of Changes in Equity

15 months ended 31 March 2012

	Issued Share Capital £'000s	Share Premium Account £'000s	Share Option Reserve £'000s	Retained Earnings £'000s	Total £'000s
Balance as at 1 January 2010	1,300	68,870	73	(3,278)	66,965
Share options to be issued	–	–	34	–	34
Deferred tax on share options	–	–	46	–	46
Total comprehensive income for the year	–	–	–	(1,731)	(1,731)
Balance as at 31 December 2010	1,300	68,870	153	(5,009)	65,314
Balance as at 1 January 2011	1,300	68,870	153	(5,009)	65,314
Share options to be issued	–	–	38	–	38
Deferred tax on share options	–	–	335	–	335
Shares issued in period	–	4	–	–	4
Total comprehensive income for the period	–	–	–	(3,479)	(3,479)
Balance as at 31 March 2012	**1,300**	**68,874**	**526**	**(8,488)**	**62,212**

The Notes on pages 37 to 74 form part of these financial statements.

Consolidated Statement of Financial Position

15 months ended 31 March 2012

	Notes	**31 March 2012 £'000s**	31 December 2010 £'000s
NON-CURRENT ASSETS			
Goodwill	16	**75,796**	75,796
Other intangible assets	17	**521**	625
Property, plant and equipment	18	**17,057**	15,603
Deferred tax asset	20	**912**	351
		94,286	92,375
CURRENT ASSETS			
Inventories	21	**17,380**	9,546
Trade and other receivables	22	**24,444**	24,373
Cash and cash equivalents		**2,506**	3,187
		44,330	37,106
TOTAL ASSETS		**138,616**	129,481
CURRENT LIABILITIES			
Trade and other payables	24	**20,082**	19,891
Borrowings	23	**24,366**	17,258
Derived financial instruments	23	**–**	30
Current tax liabilities		**570**	589
		45,018	37,768
NON-CURRENT LIABILITIES			
Borrowings	23	**6,796**	8,565
Deferred tax liabilities	20	**2,886**	3,164
Retirement benefit obligations	30	**1,080**	–
		10,762	11,729
TOTAL LIABILITIES		**55,780**	49,497
NET ASSETS		**82,836**	79,984
EQUITY			
Share capital	25	**1,300**	1,300
Share premium account	26	**68,874**	68,870
Share option reserve	26	**526**	153
Retained earnings	26	**12,136**	9,661
TOTAL EQUITY		**82,836**	79,984

These financial statements were approved by the Board of Directors and authorised for issue on 29 June 2012.
They were signed on its behalf by:

P W Totté
Chairman

M J McDonough
Director

The Notes on pages 37 to 74 form part of these financial statements.

Our Financials

Company Statement of Financial Position

15 months ended 31 March 2012

	Notes	31 March 2012 £'000s	31 December 2010 £'000s
NON-CURRENT ASSETS			
Investments	19	**55,837**	55,838
Other intangible assets	17	**22**	17
Property, plant and equipment	18	**4,610**	2,979
Deferred tax asset	20	**639**	319
Trade and other receivables	22	**40,333**	39,258
		101,441	98,411
CURRENT ASSETS			
Inventories	21	**657**	756
Trade and other receivables	22	**2,271**	2,519
Current tax asset		**–**	6
Cash and cash equivalents		**121**	480
		3,049	3,761
TOTAL ASSETS		**104,490**	102,172
CURRENT LIABILITIES			
Trade and other payables	24	**16,323**	9,098
Borrowings	23	**3,161**	3,187
Deferred tax liability	20	**224**	234
		19,708	12,519
NON-CURRENT LIABILITIES			
Trade and other payables	24	**18,548**	18,548
Borrowings	23	**4,022**	5,791
		22,570	24,339
TOTAL LIABILITIES		**42,278**	36,858
NET ASSETS		**62,212**	65,314
EQUITY			
Share capital	25	**1,300**	1,300
Share premium account	26	**68,874**	68,870
Share option reserve	26	**526**	153
Retained earnings	26	**(8,488)**	(5,009)
TOTAL EQUITY		**62,212**	65,314

These financial statements were approved by the Board of Directors and authorised for issue on 29 June 2012.
They were signed on its behalf by:

P W Totté
Chairman

M J McDonough
Director

The Notes on pages 37 to 74 form part of these financial statements.

Consolidated Cash Flow Statement

15 months ended 31 March 2012

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
CASH FLOW FROM OPERATING ACTIVITIES		
Adjusted for:		
Profit before taxation	**4,360**	1,948
Finance costs	**1,896**	1,365
Finance income	**—**	(5)
IAS 19 income	**(242)**	(94)
Depreciation of property, plant and equipment	**2,449**	1,785
Amortisation of intangibles	**172**	241
Operating Cash Flow	**8,635**	5,240
(Increase)/Decrease in inventories	**(7,834)**	24
(Increase) in receivables	**(70)**	(922)
Increase in payables	**221**	1,021
Cash generated from operations	**952**	5,363
Income taxes paid	**(932)**	(23)
Interest paid	**(1,896)**	(1,341)
Net cash from operating activities	**(1,876)**	3,999
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	**—**	5
Shares issued in period	**4**	—
Purchase of intangible assets	**(68)**	(215)
Purchase of property, plant and equipment	**(3,903)**	(2,162)
Net cash used in investing activities	**(3,967)**	(2,372)
CASH FLOW USED IN FINANCING ACTIVITIES		
Additional/(Repayment of) borrowings	**5,540**	(3,708)
Repayment of obligations under finance leases	**(201)**	(272)
Pension contributions	**(177)**	(117)
Net cash used in financing activities	**5,162**	(4,097)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(681)**	(2,470)
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	**3,187**	5,657
Net movement in cash and cash equivalents	**(681)**	(2,470)
Cash and cash equivalents at end of period	**2,506**	3,187
Cash and cash equivalents comprise:		
Cash	**2,506**	3,187
Overdrafts	**—**	—
	2,506	3,187

The Notes on pages 37 to 74 form part of these financial statements.

Our Financials

Company Cash Flow Statement

15 months ended 31 March 2012

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
CASH FLOW FROM OPERATING ACTIVITIES		
Adjusted for:		
Loss before taxation	**(4,746)**	(2,387)
Finance costs	**434**	398
Finance income	**–**	(287)
Depreciation of property, plant and equipment	**712**	629
Amortisation of intangibles	**18**	29
Operating Cash Flow	**(3,582)**	(1,618)
Decrease/(Increase) in inventories	**99**	(89)
(Increase)/Decrease in receivables	**(827)**	6,372
Increase/(Decrease) in payables	**8,550**	(1,115)
Cash generated from operations	**4,240**	3,550
Income taxes recovered/(paid)	**–**	–
Interest paid	**(434)**	(374)
Net Cash from operating activities	**3,806**	3,176
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	**–**	287
Shares issued in period	**4**	–
Purchase of intangibles	**(24)**	–
Purchase of property, plant and equipment	**(2,350)**	(1,072)
Net cash used in investing activities	**(2,370)**	(785)
CASH FLOW USED IN FINANCING ACTIVITIES		
Repayment of borrowings	**(1,689)**	(3,105)
Repayment of obligations under finance leases	**(106)**	(93)
Net cash used in financing activities	**(1,795)**	(3,198)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(359)**	(807)
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	**480**	1,287
Net movement in cash and cash equivalents	**(359)**	(807)
Cash and cash equivalents at end of period	**121**	480
Cash and cash equivalents comprise:		
Cash	**121**	480
Overdrafts	**–**	–
	121	480

The Notes on pages 37 to 74 form part of these financial statements.

Notes to the Financial Statements

15 months ended 31 March 2012

1. Presentation of financial statements

General information

The Real Good Food Company plc is a public limited company incorporated in England and Wales under the Companies Act (registered number 4666282). The Company is domiciled in England and Wales 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	Standards and Interpretations issued (and EU adopted) but not yet effective
IFRS 7	Amendments to Financial Instruments Disclosures – October 2010 Accounting periods beginning on or after July 2011
IFRS	Standards and Interpretations issued by IASB but not yet EU approved
IFRS 1	Amendments to Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters – January 2011 Accounting periods beginning on or after July 2011
IAS 12	Amendments to Deferred tax: Recovery of Underlying Assets – January 2011 Accounting periods beginning on or after January 2012
IAS 1	Amendment – Presentation of items of other comprehensive income – June 2011 Accounting periods beginning on or after July 2012
IAS 19	Amendment – Employee Benefits – June 2011 Accounting periods beginning on or after January 2013
IAS 27	Separate Financial Statements – May 2011 Accounting periods beginning on or after January 2013
IAS 28	Investments in Associates and Joint Ventures – May 2011 Accounting periods beginning on or after January 2013
IFRS 10	Consolidated Financial Statements – May 2011 Accounting periods beginning on or after January 2013
IFRS 11	Joint Arrangements – May 2011 Accounting periods beginning on or after January 2013
IFRS 12	Disclosure of Interests in Other Entities – May 2011 Accounting periods beginning on or after January 2013
IFRS 13	Fair Value Measurement – May 2011 Accounting periods beginning on or after January 2013
IFRS 9	Financial Instruments – November 2009 Accounting periods beginning on or after January 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine – October 2011 Accounting periods beginning on or after January 2013

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.

Notes to the Financial Statements continued

15 months ended 31 March 2012

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 10 to 19. The financial position of the Group, its cash flows and liquidity position are described in the Finance Director's report on pages 20 to 23. In addition, note 2 and 3 to 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, enables 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 £3,479k (2010 – £1,731k).

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 substantially 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 30 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%

Notes to the Financial Statements continued

15 months ended 31 March 2012

2. Significant accounting policies (continued)

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.

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 three years (2010 – four 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 Comprehensive Statement of 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.

l) 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.

2. Significant accounting policies (continued)

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.

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 Valuer™ 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 have 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 period. 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 19 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.

Notes to the Financial Statements continued

15 months ended 31 March 2012

3. Critical Accounting Estimates And Judgements (continued)

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% and 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 30.

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.

d) 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 is 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:

Napier The distribution of bulk sugar and manufacture and supply of packed sugar to the retail and industrial food sectors.

Garrett Ingredients The distribution of bagged sugar and dairy products to the industrial food sector.

Renshaw The manufacture and supply of marzipan, and ready to roll icing to the industrial and retail sectors.

R&W Scott The manufacture and supply of chocolate coatings and jam to the industrial and retail sectors.

Haydens The manufacture and supply of high quality ambient cakes and desserts to the retail sector.

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 was traditionally set out along those lines. However, in 2011 with the separating of the R&W Scott business from Renshaw we have now migrated to a structure that reflects the management teams in place and also ensures all aspects of trading activity have the specific focus they need in order to achieve our growth plans.

15 months ended 31 March 2012	Napier £'000s	Garrett £'000s	Renshaw £'000s	R&W Scott £'000s	Haydens £'000s	Continuing Operations Total £'000s	Significant items £'000s	Total Group £'000s
Total Revenue	189,406	38,967	46,572	14,437	29,658	319,040	—	319,040
Revenue – Internal	(12,521)	(786)	(204)	—	—	(13,511)	—	(13,511)
External Revenue	**176,885**	**38,181**	**46,368**	**14,437**	**29,658**	**305,529**	**—**	**305,529**
Operating Profit	**3,703**	**3,231**	**4,908**	**(1,338)**	**(1,333)**	**9,171**	**(550)**	**8,621**
Head Office and consolidation adjustments						(2,607)	—	(2,607)
Net Finance Costs	(943)	(195)	(495)	(142)	(121)	(1,896)	—	(1,896)
Pension Finance Income	—	—	—	—	—	242	—	242
Profit/(loss) before tax	**2,760**	**3,036**	**4,413**	**(1,480)**	**(1,454)**	**4,910**	**(550)**	**4,360**
Tax	(476)	(523)	(761)	255	251	(1,254)	—	(1,254)
Unallocated Tax	—	—	—	—	—	395	113	508
Profit/(loss) after tax as per comprehensive statement of income	2,284	2,513	3,652	(1,225)	(1,203)	4,051	(437)	3,614

Sales between segments are charged at prevailing market rates.

Our Financials

Notes to the Financial Statements continued

15 months ended 31 March 2012

5. Segment reporting (continued)

31 March 2012	Napier £'000s	Garrett £'000s	Renshaw £'000s	R&W Scott £'000s	Haydens £'000s	Unallocated £'000s	Total Group £'000s
Segment assets	**27,122**	**4,646**	**15,694**	**6,752**	**7,288**	**—**	**61,502**
Unallocated assets							
Goodwill							75,796
Other intangible assets							—
Property, plant and equipment							28
Deferred tax assets							912
Trade and other receivables							275
Cash and cash equivalents							103
Total assets							**138,616**
Segment liabilities	**(26,699)**	**(4,739)**	**(8,710)**	**(1,503)**	**(3,247)**	**—**	**(44,898)**
Unallocated liabilities							
Borrowings							(8,808)
Current tax liabilities							318
Deferred tax liabilities							(2,392)
Total liabilities							**(55,780)**
Net operating assets	**423**	**(93)**	**6,984**	**5,249**	**4,041**		**82,836**
Non-current asset additions	369	—	907	318	2,363	14	3,971
Depreciation	598	—	826	294	722	9	2,449
Amortisation	82	—	82	—	7	1	172

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 3.0% of the total revenue of the Group, segmental reporting of a geographical nature is not considered relevant

5. Segment reporting (continued)

12 months ended 31 December 2010	Napier £'000s	Garrett £'000s	Renshaw £'000s	R&W Scott £'000s	Haydens £'000s	Continuing Operations Total £'000s	Significant items £'000s	Total Group £'000s
Total Revenue	109,883	26,230	34,503	8,468	23,327	202,411	—	202,411
Revenue – Internal	(1,483)	(646)	(178)	—	—	(2,307)	—	(2,307)
External Revenue	**108,400**	**25,584**	**34,325**	**8,468**	**23,327**	**200,104**	**—**	**200,104**
Operating Profit	**(80)**	**1,182**	**4,767**	**(192)**	**(238)**	**5,439**	**(395)**	**5,044**
Head Office and consolidation adjustments						(1,830)	—	(1,830)
Net Finance Costs	(638)	(151)	(369)	(91)	(86)	(1,335)	—	(1,335)
Unallocated Net Finance Costs	—	—	—	—	—	(25)	—	(25)
Pension Finance income	—	—	—	—	—	94	—	94
Profit/(loss) before tax	**(718)**	**1,031**	**4,398**	**(283)**	**(324)**	**2,343**	**(395)**	**1,948**
Tax	97	(289)	(933)	79	31	(1,015)	—	(1,015)
Unallocated Tax	—	—	—	—	—	479	111	590
Profit/(loss) after tax as per comprehensive statement of income	**(621)**	**742**	**3,465**	**(204)**	**293**	**1,807**	**(284)**	**1,523**

Inter-segment sales are charged at prevailing market rates.

Notes to the Financial Statements continued

15 months ended 31 March 2012

5. Segment reporting (continued)

31 December 2010	Napier £'000s	Garrett £'000s	Renshaw £'000s	R&W Scott £'000s	Haydens £'000s	Unallocated £'000s	Total Group £'000s
Segment assets	**20,654**	**3,501**	**16,372**	**6,087**	**6,303**		**52,917**
Unallocated assets							
Goodwill							75,796
Other intangible assets							1
Property, plant and equipment							5
Deferred tax assets							351
Inventory							—
Trade and other receivables							287
Derived financial assets							
Current tax assets							—
Cash and cash equivalents							124
Total assets							**129,481**
Segment liabilities	**(20,190)**	**(3,326)**	**(7,644)**	**(1,370)**	**(3,947)**		**(36,477)**
Unallocated liabilities							
Trade and other payables							(406)
Borrowings							(10,511)
Derived financial instruments							—
Current tax liabilities							308
Deferred tax liabilities							(2,411)
Provisions							
Total liabilities							**(49,497)**
Net operating assets	**464**	**175**	**8,728**	**4,717**	**2,356**		**79,984**
Non-current asset additions	404	—	776	126	1072		2,378
Depreciation	420	—	526	210	624	5	1,785
Amortisation	67	—	144	—	28	2	241

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

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
Management restructuring costs	**(429)**	(395)
Group restructuring costs	**(121)**	—
	(550)	(395)
Taxation credit on significant items	**113**	111
	(437)	(284)

During the period 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 period. The Group restructuring cost relate to liquidation of dormant subsidiaries necessary to simplify the Group structure.

7. Auditors' remuneration

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
Fees payable to the Company's auditors for the audit of the Company's annual accounts		
Total audit fees	**45**	26
Fees payable to the Group's auditors for other services to the Group		
The audit of the Company's subsidiaries pursuant to legislation	**142**	99
Other services relating to taxation	**39**	36
Other services pursuant to legislation	**58**	23
	239	158

Notes to the Financial Statements continued

15 months ended 31 March 2012

8. Operating profit

	Notes	**15 months ended 31 March 2012 £'000s**	12 months ended 31 December 2010 £'000s
External sales		**305,529**	200,104
Staff costs	13	**33,339**	22,803
Inventories:			
— cost of inventories as an expense (included in cost of sales)		**238,638**	155,745
— fair value loss on derivatives held for trading (included in cost of sales)		**—**	30
Depreciation of property, plant and equipment	18	**2,449**	1,785
Amortisation of intangible assets	17	**172**	241
Significant items	6	**550**	395
Minimum operating lease payment:			
— land and buildings	28	**699**	563
— other assets	28	**711**	421
Research and development expenditure		**807**	482
Impairment of trade receivables	22	**96**	74
Foreign exchange gains		**(49)**	(111)
Other net operating expenses		**22,103**	14,462
Total		**299,515**	196,890
Operating profit from continuing operations		**6,014**	3,214

9. Finance income

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
Other interest receivable	**—**	5
	—	5

10. Finance costs

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
Interest on bank loans and overdrafts	**1,896**	1,338
Interest on obligations under finance leases	**—**	27
	1,896	1,365

11. Other finance income

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
Interest on pension scheme liabilities	**(1,132)**	(937)
Expected return on pension scheme assets	**1,374**	1,031
	242	94

12. Directors' remuneration

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
Fees	**268**	208
Executive salaries and benefits	**698**	403
Share-based payments	**22**	24
	988	635

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

	Short term Employee Benefits* £'000s	Share-based payments £'000s	Post Employment Benefits £'000s	15 months ended 31 March £'000s	12 months ended 31 December £'000s
M J McDonough	259	—	—	259	193
P W Totté	439	22	—	461	223
P Ridgwell	96	—	—	96	79
P C Salter	133	—	—	133	108
C O Thomas	39	—	—	39	32
	966	22	—	988	635

* Short term Employee Benefits (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 Directors.

Notes to the Financial Statements continued

15 months ended 31 March 2012

12. Directors' remuneration (continued)

Directors' interests in share options

	Option Type	Date of Grant	**Number of options at 31 March 2012**	Number of options at 31 December 2010	Exercise Price	Earliest Exercise Date	Exercise Expiry Date
P W Totté	Unapproved options 2009	July 2009	**1,000,000**	1,000,000	5.25p	July 2012	July 2019
	Unapproved options 2010	May 2010	**142,857**	142,857	24.50p	May 2013	May 2020
	Unapproved options 2011	March 2011	**3,817,725**	—	25.0p	April 2011	Mar 2021
P Ridgwell	Unapproved options 2009	July 2009	**476,190**	476,190	5.25p	July 2012	July 2019
	Unapproved options 2010	May 2010	**61,224**	61,224	24.50p	May 2013	May 2020
P C Salter	Unapproved options 2009	July 2009	**285,714**	285,714	5.25p	July 2012	July 2019
	Un-approved options 2010	May 2010	**102,040**	102,040	24.50p	May 2013	May 2020
C O Thomas	Unapproved options 2009	July 2009	**304,762**	304,762	5.25p	July 2012	July 2019
	Unapproved options 2010	May 2010	**40,816**	40,816	24.50p	May 2013	May 2020
	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	5.25p	July 2012	July 2019
	Approved options 2010	May 2010	**20,408**	20,408	24.50p	May 2013	May 2020
	Unapproved options 2010	May 2010	**40,816**	40,816	24.50p	May 2013	May 2020

3,817,725 new options were granted to Directors during the period (2010 – 408,161). 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 March 2012 was 58.5p and the range during the period was 24.1p to 73.5p.

During the period retirement benefits were accruing to 1 (2010 – 1) Director in respect of money purchase pension schemes.

No Director exercised share options during the period.

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:

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
Production	**692**	659
Selling and distribution	**100**	114
Directors and administrative	**107**	89
	899	862

13. Staff numbers and costs (continued)

The aggregate payroll costs were as follows:

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
Wages, salaries and fees	**29,623**	20,375
Social security costs	**2,664**	1,834
Other pension costs	**1,020**	560
Cost of options issued to staff (see note 28)	**32**	34
	33,339	22,803

14. Taxation

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
Current tax		
UK Current tax on profit of the period	**1,102**	576
UK Current tax on significant items	**(113)**	(111)
Adjustments in respect of prior years	**(98)**	(7)
Total current tax	**891**	458
Deferred tax		
Deferred tax charge re pension scheme	**101**	26
Origination and reversal of timing differences	**36**	104
Adjustments in respect of prior years	**45**	(56)
Deferred tax asset re losses brought forward	**—**	—
Adjustment in respect of change in deferred tax rate	**(327)**	(107)
Total deferred tax	**(145)**	(33)
Tax on profit on ordinary activities	**746**	425

Notes to the Financial Statements continued

15 months ended 31 March 2012

14. Taxation (continued)

Factors affecting tax charge for the period:

The tax assessed for the period is lower (2010 - lower) than the standard rate of corporation tax in the UK 26.39% (2010 – 28%). The differences are explained below:

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
Tax reconciliation		
Profit per accounts before taxation	**4,360**	1,948
Tax on profit on ordinary activities at standard CT rate of 26.39% (2010 – 28%)	**1,150**	545
Expenses not deductible for tax purposes	**48**	51
Impact of change in tax base for leasehold	**—**	—
Additional deduction for R&D expenditure	**(64)**	—
Deferred tax asset re losses brought forward	**—**	—
Temporary difference movements at lower tax rate	**(9)**	—
Adjustment in respect of change in deferred tax rate	**(327)**	(107)
Adjustments to tax in respect of prior years	**(52)**	(64)
Tax charge for the period	**746**	425

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.

	15 months ended 31 March 2012 Continuing operations	12 months ended 31 December 2010 Continuing operations
Earnings after tax attributable to ordinary shareholders (£000's)	**3,614**	1,523
Weighted average number of shares in issue (000's)	**65,017**	65,014
Basic earnings per share	**5.6p**	2.3p

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.

	15 months ended 31 March 2012 Continuing operations	12 months ended 31 December 2010 Continuing operations
Earnings after tax attributable to ordinary shareholders (£'000s)	**3,614**	1,523
Total potential weighted average number of shares in issue (000's)	**71,385**	68,311
Diluted earnings per share	**5.1p**	2.2p

Adjusted earnings per share

An adjusted earnings per share and a diluted adjusted earnings per share, which exclude significant items, have 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.

	15 months ended 31 March 2012 Continuing operations	12 months ended 31 December 2010 Continuing operations
Earnings after tax attributable to ordinary shareholders (£'000s)	**3,614**	1,523
Add back significant items (note 6)	**550**	395
Add back tax on significant items	**(113)**	(111)
Adjusted earnings after tax attributable to ordinary shareholders (£'000s)	**4,051**	1,807
Weighted average number of shares in issue (000's)	**65,017**	65,014
Basic earnings per share	**6.2p**	2.8p
Total potential weighted average number of shares in issue (000's)	**71,385**	68,311
Basic diluted earnings per share	**5.7p**	2.6p

Our Financials

Notes to the Financial Statements continued

15 months ended 31 March 2012

16. Goodwill

	Group £'000s
Cost	
Brought forward 1 January 2011	**75,796**
Carried forward 31 March 2012	**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:

	31 March 2012 £'000s	31 December 2010 £'000s
Sugar and Bakery Ingredients divisions*	**75,796**	75,796
Carried forward 31 March 2012	**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 7.19% (2010 – 4.61%). 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 timescale the recoverable amounts exceed the carrying value by £84.7 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 17.11% (2010 – 10.4%) would cause the Board to impair the carrying value of goodwill.

17. Other intangible assets

	Group £'000s	Company £'000s
Cost		
At 1 January 2011	1,691	214
Additions	68	23
At 31 March 2012	1,759	237
Amortisation		
At 1 January 2011	1,066	197
Charge	172	18
At 31 March 2012	1,238	215
Net book value at 31 March 2012	**521**	**22**
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	1066	197
Net book value at 31 December 2010	**625**	**17**

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

Notes to the Financial Statements continued

15 months ended 31 March 2012

18. Property, plant and equipment

Group

	Land and Buildings £'000s	Plant and Equipment £'000s	Assets in the course of construction £'000s	Total £'000s
Cost				
At 1 January 2011	9,306	22,354	784	32,444
Additions	1,288	2,615	—	3,903
Reclassifications	—	330	(330)	—
At 31 March 2012	10,594	25,299	454	36,347
Depreciation				
At 1 January 2011	2,787	14,054	—	16,841
Charge	184	2,265	—	2,449
At 31 March 2012	2,971	16,319	—	19,290
Net book value at 31 March 2012	**7,623**	**8,980**	**454**	**17,057**
Cost				
At 1 January 2010	9,271	20,973	38	30,282
Additions	35	1,055	1,072	2,162
Reclassifications	—	326	(326)	—
At 31 December 2010	9,306	22,354	784	32,444
Depreciation				
At 1 January 2010	2,498	12,558	—	15,056
Charge	289	1,496	—	1,785
At 31 December 2010	2,787	14,054	—	16,841
Net book value at 31 December 2010	**6,519**	**8,300**	**784**	**15,603**

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

	31 March 2012 £'000s	31 December 2010 £'000s
Plant and equipment	**195**	1,053

18. Property, plant and equipment (continued)

Company

	Land and Buildings £'000s	Plant and Equipment £'000s	Assets in the course of construction £'000s	Total £'000s
Cost				
At 1 January 2011	1,786	6,812	784	9,382
Additions	1,288	1,062		2,350
Reclassifications		330	(330)	—
At 31 March 2012	3,074	8,204	454	11,732
Depreciation				
At 1 January 2011	1,569	4,833	—	6,402
Charge	118	602	—	720
At 31 March 2012	1,687	5,435	—	7,122
Net book value at 31 March 2012	**1,387**	**2,769**	**454**	**4,610**
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**

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

	31 March 2012 £'000s	31 December 2010 £'000s
Plant and equipment	**195**	225

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Notes to the Financial Statements continued

15 months ended 31 March 2012

19. Investments

Company

Investments in shares of subsidiary undertakings:

	Napier Brown Foods Limited £'000s	FSF Dormant Limited/ TD Dormant Limited £'000s	Haydens Limited £'000s	Eurofoods plc/ Coolfresh Limited £'000s	31 March 2012 £'000s	31 December 2010 £'000s
At 1 January 2011	53,900	610	1,248	79	55,837	55,838
At 31 March 2012	**53,900**	**610**	**1,248**	**79**	**55,837**	**55,838**

The aggregate of the share capital and reserves at 31 March 2012 and of the profit or loss for the year ended on that date are as follows:

	Aggregate of Share Capital and reserves £'000s	Profit/(loss) £'000s
Napier Brown Foods Ltd	38,400	(110)
Renshawnapier Ltd	40,075	7,147

Company

Subsidiary	Principal Activities	Description and Number of Shares Held	Proportion of Nominal Value of Shares Held
Haydens Bakeries Limited*	Dormant	4,052,659 Ordinary £1	100%
Eurofoods plc*	Dormant	260,000 Ordinary £1 50,000 Preference £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%
Renshaw Napier Limited	Sugar & Ingredient Supplier	15,685,000 Ordinary £1	100%
JF Renshaw Limited	Dormant	1 Ordinary £1	100%
Renshaw Scott Limited	Dormant	1 Ordinary £1	100%
Whitworths Sugars Limited	Dormant	2 Ordinary £1	100%

During the period the Group liquidated or struck off its unused and dormant subsidiaries in an exercise to simplify its structure. All remaining subsidiaries are registered in England and Wales and have been included in these consolidated financial statements.

* Held directly by the Real Good Food Company plc.

20. Deferred taxation liability/(asset)

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

	2012 Group £'000s	**2012 Company £'000s**	2010 Group £'000s	2010 Company £'000s
Opening position	**2,814**	**(85)**	2,756	37
Income statement charge	**(145)**	**5**	(33)	(76)
Charge to equity/(credit)	**(695)**	**(335)**	90	(46)
Closing position	**1,974**	**(415)**	2,813	(85)

Group

Deferred tax assets

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

	Losses £'000s	Options £'000s	Provisions £'000s	Pension £'000s	Total £'000s
At 1 January 2011	(221)	(84)	(46)	—	**(351)**
Charge/(Credit) to income:					
— re current period	25	(2)	(22)	101	**102**
— re prior years	—	—	32	—	**32**
(Credit) to equity	—	(335)	—	(360)	**(695)**
At 31 March 2012	**(196)**	**(421)**	**(36)**	**(259)**	**(912)**
Within 12 months	**(65)**	**(421)**	**—**	**—**	**(486)**
Greater than 12 months	**(131)**	**—**	**(36)**	**(259)**	**(426)**

Deferred tax provisions

	Intangible assets £'000s	Derived financial assets £'000s	Tangible assets £'000s	Total £'000s
At 1 January 2011	825	—	2,339	**3,164**
Charged to income:				
— current period	53	—	(343)	**(290)**
— prior years	—	—	12	**12**
At 31 March 2012	**878**	**—**	**2,008**	**2,886**

Notes to the Financial Statements continued

15 months ended 31 March 2012

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

Company

Deferred tax assets

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

	Losses £'000s	Share Options £'000s	Short term Timing Differences £'000s	Total £'000s
At 1 January 2011	(221)	(84)	(14)	(319)
Charge/(Credit) to income:				
— current period	25	(2)	(8)	15
— prior years		—	—	—
— Charge/(credit) to equity	—	(335)	—	(335)
At 31 March 2012	**(196)**	**(421)**	**(22)**	**(639)**
Within 12 months	**(131)**	**—**	**(22)**	**(153)**
Greater than 12 months	**(65)**	**(421)**	**—**	**(486)**

Deferred tax provisions

	Tangible assets £'000s
At 1 January 2011	234
Charge/(Credit) to income:	
— current period	(17)
— prior years	7
At 31 March 2012	**224**

Analysis of deferred tax losses

	2012 £'000s	2010 £'000s
Deferred tax asset to be recovered after more than 12 months	**552**	—
Deferred tax asset to be recovered within 12 months	**87**	319
	639	319

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.

21. Inventories

	31 March 2012 Group £'000s	31 March 2012 Company £'000s	31 December 2010 Group £'000s	31 December 2010 Company £'000s
Materials	**5,096**	**613**	3,693	714
Work in progress	**612**	**4**	169	3
Finished goods	**11,672**	**40**	5,684	39
	17,380	**657**	9,546	756

Inventories totalling £17,380k (2010 – £9,546k) 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, £8.5 million (2010 – £3.3 million) of finished goods have been pledged as security for borrowings, see note 23.

22. Trade and other receivables

	31 March 2012 Group £'000s	31 March 2012 Company £'000s	31 December 2010 Group £'000s	31 December 2010 Company £'000s
Non-current trade and other receivables				
Amounts owed by Group undertakings	**—**	**40,333**	—	39,258
Current trade and other receivables				
Trade receivables	**21,428**	**1,703**	21,640	1,854
Less: provision for impairment of receivables	**(115)**	**(57)**	(136)	—
Net trade receivables	**21,313**	**1,646**	21,504	1,854
Other receivables	**582**	**141**	431	150
Amounts owed by Group undertakings	**—**	**—**	—	—
Prepayments	**2,549**	**484**	2,438	515
	24,444	**2,271**	24,373	2,519

Provision for impairment of receivables

	31 March 2012 Group £'000s	31 March 2012 Company £'000s	31 December 2010 Group £'000s	31 December 2010 Company £'000s
At 1 January 2011	**(136)**	**—**	(118)	—
Charge for period	**(96)**	**(57)**	(74)	—
Uncollectable amounts written off	**117**	**—**	56	—
At 31 March 2012	**(115)**	**(57)**	(136)	—

Notes to the Financial Statements continued

15 months ended 31 March 2012

22. Trade and other receivables (continued)

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

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 £19.7 million of the Group's trade receivables, the remaining amount £1.7 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 £96k (2010 – £74k) for impairment of its trade receivables during the period, 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 £4.5 million were past due but not impaired, a significant improvement overall on the prior year levels driven by a tighter credit control programme. The ageing analysis of these receivables is as follows:

	31 March 2012 Group £'000s	**31 March 2012 Company £'000s**	31 December 2010 Group £'000s	31 December 2010 Company £'000s
Up to 30 days past due	**3434**	**66**	6,432	135
1–3 months past due	**622**	**50**	970	25
Over 3 months past due	**427**	**114**	67	—
	4,483	**230**	7,469	160

23. Borrowings and capital management

	31 March 2012 Group £'000s	**31 March 2012 Company £'000s**	31 December 2010 Group £'000s	31 December 2010 Company £'000s
Unsecured borrowings at amortised cost				
Loan notes	**2,774**	**—**	2,774	—
Secured borrowings at amortised cost				
Bank term loans	**6,016**	**6,016**	7,784	7,784
Revolving credit facilities	**22,340**	**1,135**	15,032	1,088
Hire purchase	**32**	**32**	233	106
	31,162	**7,183**	25,823	8,978
Amounts due for settlement within 12 months	**24,366**	**3,161**	17,258	3,187
Amounts due for settlement after 12 months	**6,796**	**4,022**	8,565	5,791
	31,162	**7,183**	25,823	8,978

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 £4.6 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 £85,000 until July 2013. At the year end £1.3 million was outstanding under this loan. Our final term loan currently bears interest at 4% above base rate and is repayable via monthly instalments of £62,000 up to June 2012. At the year end £0.1 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 2.65% 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 period was £15.6 million, whilst the maximum permitted borrowings are £24.4 million. The inventory finance facility currently bears interest at 2.95% above base rate and at the period end £6.7 million was outstanding under this facility which has a maximum borrowing limit of £8.5 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 6.0% (2010 – 6.93%) and the weighted average period for which the interest rates are fixed was six months (2010 – 15 months).

The Group had outstanding loan notes amounting to £2,773,908 (2010 – £2,773,908) due to Napier Brown Ingredients Limited as disclosed in note 29. The loan note holders have previously agreed to waive the accrued interest in relation to these notes, which were also interest free during 2011. No agreement is in place for 2012 onwards.

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.

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

Forward foreign exchange contracts

The Group has no forward foreign exchange contracts in place as at end of March 2012.

Notes to the Financial Statements continued

15 months ended 31 March 2012

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.

2012	**Less than 1 month £'000s**	**1–3 months £'000s**	**3 months to 1 year £'000s**	**1–5 years £'000s**	**5+ years £'000s**	**Total £'000s**
Trade and other payables	**9,308**	**10,774**	**—**	**—**	**—**	**20,082**
Loan notes	**—**	**—**	**—**	**2,774**	**—**	**2,774**
Bank term loans	**218**	**372**	**1,404**	**4,022**	**—**	**6,016**
Revolving credit facilities	**—**	**—**	**22,340**	**—**	**—**	**22,340**
Finance leases	**21**	**11**	**—**	**—**	**—**	**32**
	9,547	**11,157**	**23,744**	**6,796**	**—**	**51,244**

2010	Less than 1 month £'000s	1–3 months £'000s	3 months to 1 year £'000s	1–5 years £'000s	5+ years £'000s	Total £'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

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 10¢ 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 £7k. The impact of a 10¢ 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 £78k.

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 €0.05 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 £168k.

23. Borrowings and capital management (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 £284k.

Obligation under finance leases

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
Finance lease liabilities – minimum lease payments		
Due within one year	**32**	195
Due within one to five years	**—**	49
	32	244
Future finance charges on finance leases	**—**	(11)
Present value of finance lease liabilities	**32**	233
The present value of finance lease liabilities is as follows:		
Due within one year	**32**	186
Due within one to five years	**—**	47
	32	233

It is the Group's policy to lease certain property, plant and equipment under finance leases. For the period ended 31 March 2012 the average effective borrowing rate was 6.0% (2010 – 6.93%). 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.

Notes to the Financial Statements continued

15 months ended 31 March 2012

24. Trade and other payables

	31 March 2012 Group £'000s	31 March 2012 Company £'000s	31 December 2010 Group £'000s	31 December 2010 Company £'000s
Amounts due in more than one year				
Amounts owed to Group undertakings	**—**	**18,548**	—	18,548
Amounts due within one year				
Trade payables	**16,571**	**2,176**	16,903	2,347
Social security	**701**	**261**	610	244
Amounts owed to Group undertakings	**—**	**13,186**	—	5,492
Accruals	**2,339**	**603**	2,230	952
Other payables	**471**	**97**	148	63
	20,082	**16,323**	19,891	9,098

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. Share capital

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
Allotted, called up and fully paid equity share capital		
At 1 January 2011	**1,300**	1,300
Issued in the period*	**—**	—
At 31 March 2012	**1,300**	1,300

* During the period 5,000 Ordinary 2p shares were issued as a result of a warrant holder exercising part of their warrant.

Ordinary shares carry the right to participate in dividends and each share entitles the holder to one vote on matters requiring shareholder approval.

At the Company's AGM on 2 June 2011 a special resolution was passed in accordance with the Companies Act 2006 to remove any reference to Authorised Share capital restrictions.

The number of shares reserved for issue under options and warrants are as follows:

Warrants 2,240,663 shares expiry date end of 2013
Options 10,058,873 shares with expiry dates beyond 2012

26. Share premium and reserves

Group	Share premium account £'000s	Retained earnings £'000s	Share option reserve £'000s
Balance at 1 January 2011	68,870	9,661	153
Retained profit for the period	—	2,475	—
Balance at 31 March 2012 excluding pension gains/(losses)	68,870	12,136	153
Shares issued in period	4	—	—
Shares to be issued	—	—	373
Balance at 31 March 2012 including pension gains/(losses)	**68,874**	**12,136**	**526**

Company	Share premium account £'000s	Retained earnings £'000s	Share option reserve £'000s
Balance at 1 January 2011	68,870	(5,009)	153
Retained loss for the period	—	(3,479)	—
Shares issued in period	4	—	—
Shares to be issued	—	—	373
Balance at 31 March 2012	**68,874**	**(8,488)**	**526**

27. 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:

	15 months ended 31 March 2012 Number of share options	**15 months ended 31 March 2012 Weighted Average Exercise Price (£)**	12 months ended 31 December 2010 Number of share options	12 months ended 31 December 2010 Weighted Average Exercise Price (£)
Outstanding at the beginning of the period	**5,291,148**	**0.08**	4,685,711	0.05
Granted during the period	**4,767,725**	**0.29**	795,913	0.24
Forfeited during the period	**—**	**—**	(190,476)	0.05
Outstanding at the end of the period	**10,058,873**	**0.18**	5,291,148	0.08
Exercisable at the end of the period	**Nil**	**—**	Nil	—

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Notes to the Financial Statements continued

15 months ended 31 March 2012

27. Equity-settled share option scheme (continued)

A breakdown of the range of exercise prices for options outstanding as at 31 March 2012 is shown in the table below:

	2012 Number outstanding at end of period	**2012** Weighted average remaining contractual life (years)	**2012** Weighted average exercise price (pence)	2010 Number outstanding at end of period	2010 Weighted average remaining contractual life (years)	2010 Weighted average exercise price (pence)
£0.00 – £0.50	**10,058,873**	**2**	**18.09**	5,291,148	2	7.85

	2012 £'000s	2010 £'000s
IFRS 2 Fair value charge	**38**	34
Average share price	**49.3p**	19.7p

New options have been issued during this current period. 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.

28. Commitments

Operating lease arrangements

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
Minimum lease payments under operating leases recognised as an expense in the period	**1,410**	984

28. Commitments (continued)

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

	2012 £'000s	2010 £'000s
Due within one year	**706**	599
Due between one and five years	**864**	753
Due beyond five years	**1,162**	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

	2012 £'000s	2010 £'000s
Commitments for the acquisition of property, plant and equipment	**309**	201

29. 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. The loan note holders agreed to waive their rights to the accrued interest on this loan note to December 2011. The accounts assume that this waiver will continue to March 2012; thus accrued interest on the loan amounted to £nil (2010 – £nil) at 31 March 2012.

Transactions between the Company and its subsidiaries are as follows:

Trading transactions – purchase of goods

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
Renshawnapier Limited	**827**	808

Our Financials

Notes to the Financial Statements continued

15 months ended 31 March 2012

29. Related party transactions (continued)

Amounts due to

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
Renshawnapier Limited	**31,734**	24,040
Napier Brown Foods Limited	**Nil**	Nil

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

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
Renshawnapier Limited	**Nil**	Nil
Napier Brown Foods Limited	**40,333**	39,258

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.

30. 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 £5.3 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 IAS 19 the data provided for the 1 April 2009 Actuarial valuation has been approximately updated to reflect liabilities on the accounting basis at 31 March 2012. This has resulted in a deficit in the scheme of £1,080,000.

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.

30. Pensions arrangements (continued)

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

	31 March 2012 £'000s	31 December 2010 £'000s	31 December 2009 £'000s	31 December 2008 £'000s	31 December 2007 £'000s
Present value of defined benefit obligation	**17,085**	16,212	15,945	15,094	16,268
Fair value of plan assets	**(16,005)**	(16,308)	(15,363)	(14,830)	(18,052)
Deficit/(surplus) in plan	**1,080**	(96)	582	264	(1,784)
Amount not recognised in accordance with IAS 19 paragraph 58b	**—**	96	—	—	1,249
Gross amount recognised	**1,080**	—	582	264	(535)
Deferred tax at 24% (2012)	**(259)**	—	(163)	(74)	535
Net liability	**821**	—	419	190	—

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

	31 March 2012 £'000s	31 December 2010 £'000s
Defined benefit obligation at start of period	**16,212**	15,945
Interest cost	**1,132**	937
Actuarial losses/(gains)	**611**	(6)
Benefits paid, death in service insurance premiums and expenses	**(870)**	(664)
Defined benefit obligation at end of period	**17,085**	16,212

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

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
Fair value of scheme assets at start of the period	**16,308**	15,363
Expected return on scheme assets	**1,374**	1,031
Actuarial (losses)/gains	**(984)**	578
Contributions by the Group paid	**177**	117
Adjustment for contributions by the Group not agreed	**—**	(117)
Benefits paid, death in service insurance premiums and expenses	**(870)**	(664)
Fair value of scheme assets at end of the period	**16,005**	16,308

The actual return on the scheme assets over the period ended 31 March 2012 was £390,000 (2010 – £1,609,000).

Notes to the Financial Statements continued

15 months ended 31 March 2012

30. Pensions arrangements (continued)

Total expense recognised in the statement of comprehensive income within other finance income

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
Interest on liabilities	**1,132**	937
Expected return on scheme assets	**(1,374)**	(1,031)
Total income	**(242)**	(94)

Statement of recognised income and expenses

	15 months ended 31 March 2012 £'000s	12 months ended 31 December 2010 £'000s
Difference between expected and actual return on scheme assets: gain	**(984)**	578
Experience gains and losses arising on the scheme liabilities: gain	**(46)**	387
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities: (loss)	**(565)**	(381)
Reversal of the limit under IAS 19 paragraph 58b	**96**	(96)
Total amount recognised in statement of changes in equity	**(1,499)**	488

Assets

	31 March 2012 £'000s	31 December 2010 £'000s	31 December 2009 £'000s
Equities	**9,615**	10,779	10,274
Bonds & Gilts	**4,915**	3,990	3,919
Property	**434**	408	449
Cash	**1,041**	1,131	721
Total assets	**16,005**	16,308	15,363

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.

30. Pensions arrangements (continued)

Assumptions

	31 March 2012 % per annum	31 December 2010 % per annum	31 December 2009 % per annum
Inflation	**2.90**	3.10	3.10
Salary increases	**-**	-	-
Rate of discount	**5.00**	5.70	6.00
Allowance for pension in payment increases of RPI or 5% p.a. if less	**2.80**	3.10	3.10
Allowance for revaluation of deferred pensions of RPI or 5% if less	**1.90**	3.10	3.10
Allowance for commutation of pension for cash at retirement	**75% of max allowance**	75% of max allowance	50% of max allowance

Assumption	Change in assumption	Change in liability
Discount rate	Increase/decrease of 0.5% p.a.	Decrease/increase by 7.7%
Rate of inflation	Increase/decrease of 0.5% p.a.	Increase/decrease by 2.3%
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 3.3%

The mortality assumptions adopted at 31 March 2012 imply the following life expectancies:

Male retiring at age 65 in 2010	21.7 years
Female retiring at age 65 in 2010	23.8 years
Male retiring at age 65 in 2030	22.7 years
Female retiring at age 65 in 2030	25.0 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.

Notes to the Financial Statements continued

15 months ended 31 March 2012

30. Pensions arrangements (continued)

Expected long term rates of return

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

	31 March 2012 % per annum	31 December 2010 % per annum	31 December 2009 % per annum
Equities	**7.55**	7.50	6.90
Bonds	**4.60**	5.60	5.64
Property	**7.55**	6.50	5.90
Cash	**0.50**	4.20	3.50
Overall for scheme	**5.87**	6.83	6.29

	31 March 2012 £'000s	31 December 2010 £'000s	31 December 2009 £'000s	31 December 2008 £'000s	31 December 2007 £000's
Fair value of assets	**16,005**	16,308	15,363	14,830	18,052
Defined benefit obligation	**(17,085)**	(16,212)	(15,945)	(15,094)	(16,268)
Surplus/(deficit) in scheme	**(1,080)**	96	(582)	(264)	1,784
Experience adjustment on scheme assets	**(984)**	578	113	(3,937)	893
Experience adjustment on scheme liabilities	**(46)**	387	18	(114)	464

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