

# The Real Good

## Food Company plc

### Annual Report & Accounts

For the year ended 31 March 2013

Stock code: RGD

*A Recipe for Growth*



# A Recipe for Growth

The Real Good Food Company plc is a diversified food group which owns **Napier Brown** (Europe's biggest non-refining sugar distributor), **Garrett Ingredients** (dairy ingredients and sugar), **Renshaw** (icings, marzipan and caramels), **R&W Scott** (chocolate coatings and jams) and **Haydens Bakery** (patisserie and desserts).

For more information on our **Divisions** see **pages 10 – 19**

## Real Good Food seeks to increase shareholder value by:

- building on its strong position in the sourcing and supply of sugars
- sustained development of its baking ingredients and bakery businesses
- exploiting multiple sales channels and its growing portfolio of branded food products.

For more information on our **Strategy** see **pages 6 – 9**

## Financial Highlights

	12 months ended 31 March 2013 £'000s	12 months ended 31 March 2012 £'000s	15 months ended 31 March 2012 £'000s
Revenue	265,754	258,573	305,529
EBITDA	10,466	8,455	9,185
Profit before taxation <sup>1</sup>	6,765	4,925	4,910
EPS:			
Basic (adjusted)	7.8p	5.4p	6.2p
Diluted (adjusted)	7.2p	4.9p	5.7p
Working Capital (Fixed Assets/Stock/Trade Debtors & Trade Creditors)	42,555	38,750	38,750
Net Borrowings (Incl Cash)	24,952	28,655	28,655
Net Debt/EBITDA	2.4	3.3*	3.3*

<sup>1</sup> before restructuring costs

## Operational Highlights

- Further improvement over last year's strong performance, driven by significant EBITDA increases at Haydens and R&W Scott
- EBITDA up 24% to £10.5 million, compared to £8.5 million in the 12 months ended 31 March 2012
- All trading divisions now have positive EBITDA following the improvements at Haydens and R&W Scott
- Significant improvement in EPS adjusted (fully diluted excluding significant items) at 7.2p this year, up 50% on 4.9p for 12 months ended 31 March 2012
- Significant improvement in debt serviceability with Net Debt/EBITDA ratio down from 3.3x at 31 March 2012 to 2.4x currently Net Borrowings of £25.0m at 31 March 2013, down £3.7 million from £28.7 million in March 2012



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www.realgoodfoodplc.com

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### Change of Accounting Reference Date

This year's Annual Report covering the 12 months ended 31 March 2013 will in all financial schedules and supporting notes be tabled alongside the 15 month period ended 31 March 2012 as required in statutory reporting. However, where appropriate and relevant, the 12 month period ended 31 March 2012\* will be included and commented on in order to present like for like visibility and demonstrate the underlying performance year on year. All references to last year in this report refer to the 12 months trading to the 31 March 2012.

\* This will be on a "pro forma basis" as, whilst both elements of this period, April-Dec 2011 and Jan-March 2012, have been audited, it hasn't been audited as a period in its own right. The Board is confident that this will present a reliable comparison.

## Group at a Glance

# Five distinct yet complementary business units










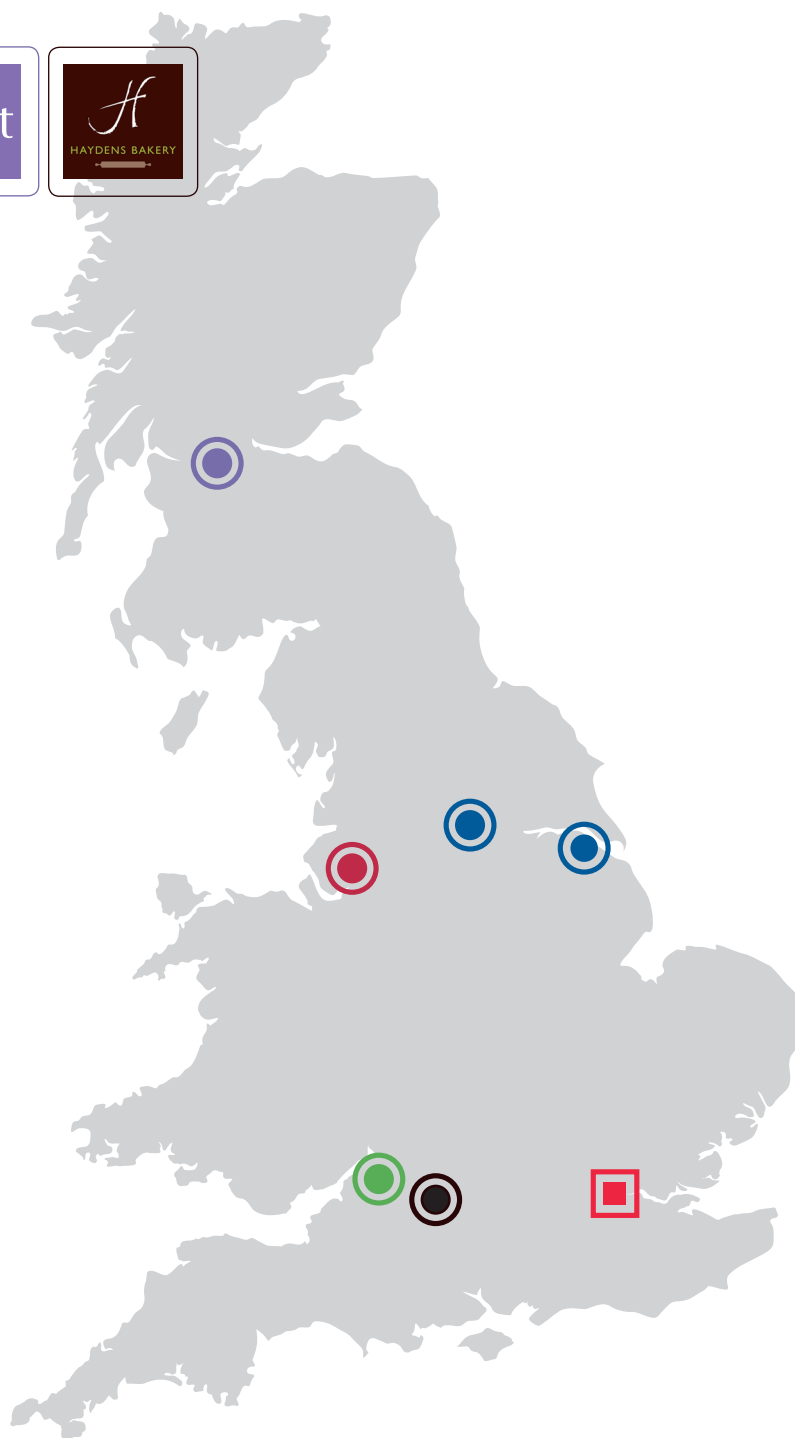
All five businesses are managed by local management teams based at their sites. The Real Good Food Group Executive provides assistance to these teams to implement their business plans.

Group resource is available to each business in human resources, finance and treasury, information technology, purchasing, technical, marketing and new product development.

Read more information on **pages 6 – 9**

### Our Locations

-  Napier Brown, Normanton, West Yorkshire
-  Napier Brown Sugar Hub, Immingham
-  Garrett Ingredients, Thornbury, near Bristol
-  Renshaw, Liverpool
-  R&W Scott, Carluke, near Glasgow
-  Haydens Bakery, Devizes, Wiltshire
-  London Office



## Napier Brown

[www.napierbrown.co.uk](http://www.napierbrown.co.uk)

Read the **Divisional Review** on **page 10**

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.

### 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.

**£157.2m**  
Divisional  
Turnover

**£4.7m**  
Divisional  
EBITDA

**146**  
Employees

## Garrett Ingredients

[www.garrettingredients.co.uk](http://www.garrettingredients.co.uk)

Read the **Divisional Review** on **page 12**

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.

### 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.

**£31.3m**  
Divisional  
Turnover

**£2.2m**  
Divisional  
EBITDA

**10**  
Employees

## Renshaw

[www.renshawbaking.com](http://www.renshawbaking.com)

Read the **Divisional Review** on **page 14**

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.

### Key Products and Brands

Sugarpaste, marzipan, soft icings, malloes, caramels. 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.

**£41.0m**  
Divisional  
Turnover

**£5.0m**  
Divisional  
EBITDA

**282**  
Employees

## R&W Scott

[www.randwscott.com](http://www.randwscott.com)

Read the **Divisional Review** on **page 16**

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

### 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.

**£11.0m**  
Divisional  
Turnover

**£0.4m**  
Divisional  
EBITDA

**69**  
Employees

## Haydens Bakery

[www.haydens-bakeries.co.uk](http://www.haydens-bakeries.co.uk)

Read the **Divisional Review** on **page 18**

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.

### Key Products and Brands

Haydens' exclusive products are developed for a number of customers, including Waitrose, Marks and Spencer, and Costa.

**£25.3m**  
Divisional  
Turnover

**£0.3m**  
Divisional  
EBITDA

**425**  
Employees

"We have opened an office in Brussels and recruited a General Manager to fast-track the opportunities we have identified in Europe."

**Pieter Totté**  
Chairman

## Chairman's Statement

# Focusing on organic growth in our five businesses

Chairman **Pieter Totté** talks about The Real Good Food Company's market growth opportunities

### 2012/13 Review

I am delighted to be able to report on a year of steady progress by the Group, when we achieved a significant increase in earnings despite only recording a modest increase in overall revenue. We continued to invest in the development of our five businesses, but were still able to reduce total borrowings and secured new financing facilities for future expansion.

EBITDA, at £10.5 million, is £2 million (+24%) up on last year's £8.5 million for the 12 months ended March 2012, despite a difficult trading environment. The unexpected contraction of the economy in the last quarter of 2012 was a challenge. It is clear that the pressure on household incomes, with wage rises lagging behind inflation, is real and inevitably hitting many markets for non-essential items.

In this context, our trading performance was encouraging and demonstrates the robustness of our plans. All five divisions recorded a positive EBITDA in the year, with the improved performances achieved at both R&W Scott and Haydens being particularly pleasing. This improved profit performance was also accompanied by a reduction of £3.7 million

in our Net Debt position at the end of March 2013 which stood at £25.0 million.

In December we secured a new five year banking arrangement which will support the business as we progress our ambitious growth plans. We were delighted that we were able to continue our relationship with PNC and the new facility of £50 million, an increase of £10 million, gives us a strong platform for the next five years. We also started working with Lloyds TSB during the year who provide clearing and ancillary facilities.

Finally, we have now fully implemented the management structure which we have been working towards and which reflects

our targeted business model. We have Managing Directors and full management teams in all five businesses, which enables each one to operate as a stand-alone unit.

At the same time we have a strong central team, able to support these local teams as required. Formal business plans have been prepared for each business with the central Executive team prioritising support and investment plans. I am confident that from a management perspective the business is better equipped than ever.

### Forward plans

We have undertaken full strategic reviews across each of the divisions and have agreed three year business plans. We have reorientated each business to become commercially-led and market-driven which is a significant change from three years ago. We have invested in marketing resource across the Group and also in retail category management, functions where we historically had little or no expertise. We are also fortunate to operate mainly in growth markets, while in some businesses (Renshaw, in particular) export represents a significant opportunity.





*Did you know?*

**80%**

of global sugar production comes from cane.



I would like to highlight in particular three major initiatives: developments in our sugar sourcing and the investment we are making near Immingham; brand marketing; and sales.

Clearly sourcing more sugar is critical to us achieving our corporate objectives. It became evident to us that, alongside developing relationships with sugar producers, we needed to invest in order to handle large quantities of imported sugars cost-effectively, wherever they come from. Our new site at Stallingborough, next to the deep sea port of Immingham, will receive bulk sugar, quality check and transfer it into road tankers for onward distribution, either to our own packing or manufacturing sites or directly to third party customers. The major UK sugar customers are very supportive of this move as they recognise the need for more supply options within the UK. Meanwhile, in conjunction with our partner Omnicane, we continue to look at opportunities for long term, sustainable supply arrangements, not only in Mauritius, but also on the African continent.

Three of our businesses in particular are investing significantly in their brands: Napier Brown (with Whitworths), Renshaw and R&W Scott. These brands were assets which we owned, but were not utilising. In each case we have undertaken a formal review, developed a new brand vision and invested in high quality design, alongside consumer research and product development. We are already seeing the results, with Whitworths successfully bringing some long overdue innovation to the baking sugars market and Renshaw beginning to leverage the strength of its reputation across all its sales channels. R&W Scott will also be launching a number of new products during the course of this year, while we also see the potential for brands in some sectors of foodservice.

Finally, as we reviewed the business plans we soon recognised the need for additional sales resource across all the businesses. As we grow each of the businesses we need more sales resource to handle the increased activity levels across a range of channels and to ensure that we remain close to our customers' requirements from both a business development and a service standpoint. We are actively recruiting more sales management at all five divisions.

In addition, in order to fast track the opportunities we have identified in Europe, we have opened an office in Brussels and recruited a General Manager to work with each of the businesses on their European export plans. This has already generated a number of new opportunities.

### Outlook

While the outlook for the economy and consumers' disposable income is likely only to improve gradually, I am confident that we have a strong platform for long term, sustainable growth, based on sound plans. I would like to thank colleagues across all the businesses for all the hard work which lies behind these results.

### Pieter Totté

Chairman

26 June 2013

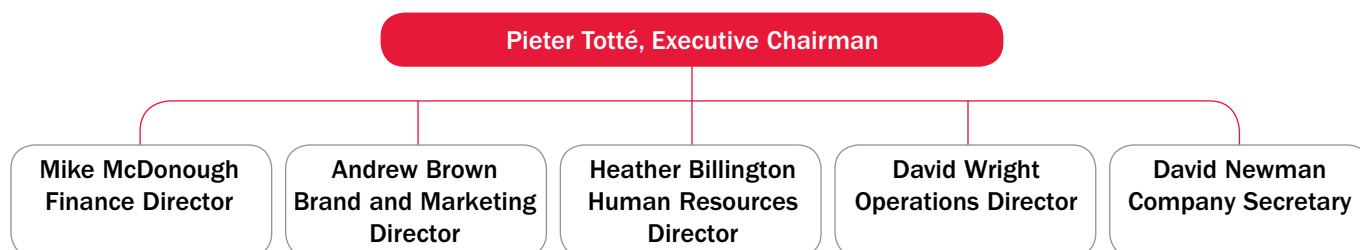
Read more information on pages 6 – 9

## Group Strategy

# Investing in brands and strengthening sales resource

Group strategy is led by the Group Executive Team which helps each individual business develop their business strategies and plans. The common theme across all the businesses is a transformation from being a manufacturing led to a market led business, understanding the markets in which we operate and meeting customer requirements with quality products and excellent service.

### Group Executive Team



**Mike McDonough** Mike 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.

**Andrew Brown** Andrew joined Napier Brown Foods as Managing Director in August 2008. He has over 30 years' experience within the food industry; he was Marketing Director at British Bakeries and Manor Bakeries and then Managing Director at both Manor Bakeries and RHM Cereals. He moved to his current role in June 2012 to shape and develop Group branding and marketing.

**Heather Billington** A Fellow of the Chartered Institute of Personnel & Development, Heather joined the Renshaw business in 1981 and was appointed Human Resources Manager in 1990. She continued to hold this role for the wider business throughout the subsequent changes in ownership and business structure. In 2007 Heather was appointed Group HR Manager for the Real Good Food Company plc before being appointed Group HR Director in January 2009.

**David Wright** David joined Renshaw as Operations Director in 2006. David has extensive experience of UK food manufacturing with businesses such as United Biscuits, Northern Foods, Campbells and Tetley Tea where he was UK Operations Director. He became RGFC Group Operations Director in early 2012 in order to manage strategic operations projects as part of the growth plans.

**David Newman** David joined Napier Brown & Co Ltd in 1995 following spells in the finance functions at John Mowlem Plc and Pirelli Group Plc. David began as a financial accountant until being promoted in 2005 to Group Financial Controller when Napier Brown Foods Group was acquired by RGFC plc. He became Company Secretary in 2010.

## Key Strategic Priorities by Division

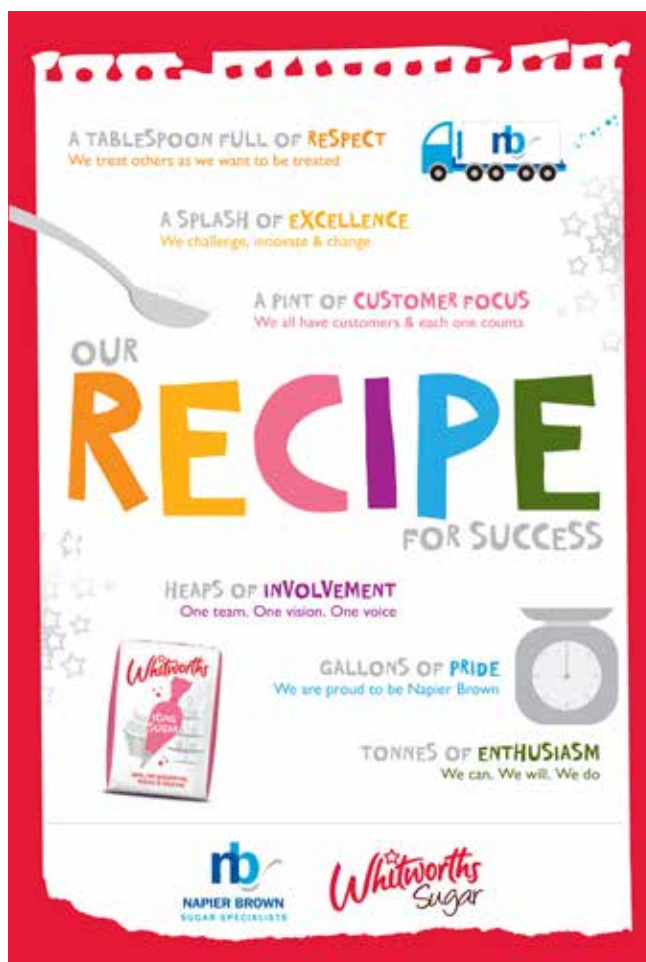
Business	2012/13 Revenue	Key strategies and plans	
<b>Napier Brown</b> Managing Director: <b>Jon Tanner</b>	<b>£157m</b>	<ul style="list-style-type: none"> <li>• New sources of sugar</li> <li>• Invest in logistics – sugar hub</li> <li>• Added value and innovation in retail</li> </ul>	Read more on pages 10 & 11
<b>Garrett Ingredients</b> Managing Director: <b>Tom Fowler</b>	<b>£31m</b>	<ul style="list-style-type: none"> <li>• New sources of Dairy (Europe)</li> <li>• Broaden product range (new distributorships)</li> <li>• Broaden customer base</li> </ul>	Read more on pages 12 & 13
<b>Renshaw</b> Managing Director: <b>Robin Mountain</b>	<b>£41m</b>	<ul style="list-style-type: none"> <li>• Grow export</li> <li>• Invest in the brand and on-line</li> <li>• New capacity to meet market growth</li> </ul>	Read more on pages 14 & 15
<b>R&amp;W Scott</b> Managing Director: <b>John Easton</b>	<b>£11m</b>	<ul style="list-style-type: none"> <li>• Develop brands</li> <li>• New product development</li> <li>• Broaden customer base</li> </ul>	Read more on pages 16 & 17
<b>Haydens Bakery</b> Managing Director: <b>John Larsen</b>	<b>£25m</b>	<ul style="list-style-type: none"> <li>• Develop frozen offering</li> <li>• Invest in efficient plant and process</li> <li>• Innovation and development</li> </ul>	Read more on pages 18 & 19

“From a management perspective the business is better equipped than ever.”

**Pieter Totté**  
Chairman



**Pictured:** This cake was commissioned to celebrate the Queen's Jubilee year and to show the versatility of Renshaw ready to roll icing.



**Pictured:** This poster was devised by the Napier Brown team and describes what the RGFC 'RECIPE' values mean within their business.

## Group Strategy continued

The Group plan identifies three major routes to growth:

- building on our strong position in the sourcing and supply of sugar
- sustained development of our bakery ingredients and bakery businesses
- exploiting multiple sales channels and our growing portfolio of branded products

These will be achieved by:

- managing five distinct business units supported by a small central team
- focusing on organic growth opportunities in each of the businesses
- investing in brands
- strengthening sales resource

Each local board is responsible for the delivery of its business plan. The Group Executive meets monthly to review overall progress and engages regularly with each of the businesses to assess progress against the plan as well as discussing and agreeing strategy.

We regard our business plans as active and dynamic and as such they are subject to regular review. Part of these reviews is to prioritise Group resource into strategic projects which are considered to be fundamental to the success of the Group as a whole. These projects are given leadership from the centre, though depending on their nature, will ultimately be implemented by the local management team.

The following three case histories describe three major strategic projects which are currently in their implementation phase: the Renshaw Brand Relaunch, the Napier Brown Sugar Hub and the Group Talent Management Process.

*Did you know?*

Renshaw sells in

**32 countries**  
across the world

## Renshaw Brand Relaunch

### Why?

Realise market growth opportunity by leveraging brand reputation amongst expert cake decorators and prepare brand for global strategy.

### What?

New brand vision developed and new “classic” brandmark created emphasising heritage and quality credentials backed by the prestigious “Royal Warrant”.

### Next steps:

New branding and pack designs are being rolled out across all Renshaw products in all sales channels:

- specialist cakecraft outlets where the brand's core strength lies
- mainstream retailers are now looking to stock Renshaw branded products which can act as a catalyst to maintain market growth as consumers aspire to become ‘more expert’ cake crafters
- branding is being made visible on business to business. All Renshaw product will be now be sold in branded packaging
- in export, the brand's heritage, ‘Britishness’ and Royal Warrant give it widespread appeal
- a new on-line sales channel will give the brand a platform to talk directly with its customers



**Pictured:** Renshaw regularly advertises in specialist bakery and cake crafting publications.

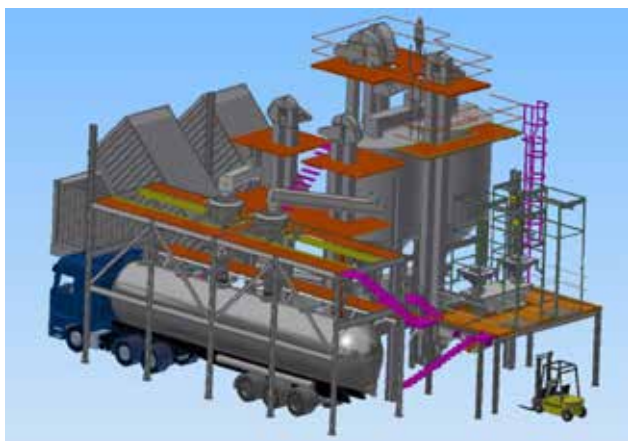
## Napier Brown Sugar Hub

### Why?

Support for Napier Brown strategy to source increased quantities from outside Europe, e.g. Mauritius and Africa.

### What?

Warehouse and newly designed 'overloader' equipment to transfer and quality check sugar from big bags and bag-in-box sea containers into road tankers for onward delivery to UK customers. Storage capacity for 20,000 tonnes of sugar and annual capacity to process 400,000 tonnes of sugar.



**Pictured:** A pictorial representation of the 'overloader' process.

### Why Immingham?

- closest port to the majority of the customer base
- regular feeder services from deep sea lines
- good links with Europe
- 24 hour access not affected by tides
- good access to the M62 and Napier Brown Normanton site



**Pictured:** Aerial view of Immingham Port. The Napier Brown Sugar Hub at Stallingborough can be seen in the trading estate in the top right of the picture.

### When?

The warehouse is already being used for storage of specialist sugars and the overloader transfer equipment will be operational from late 2013.

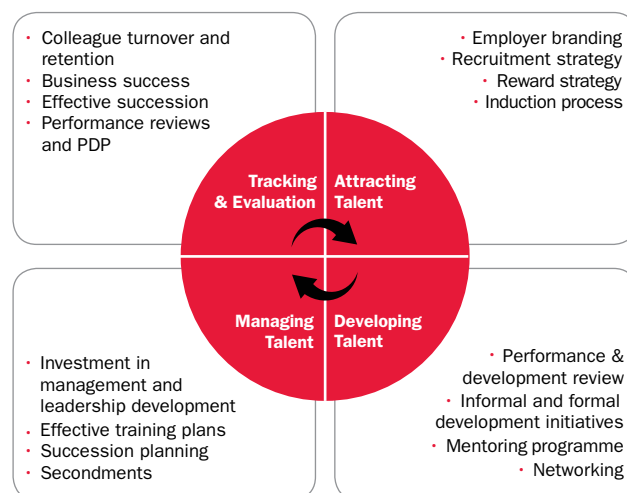
## Group Talent Management

### Why?

We believe that success can only be achieved through capable, motivated and empowered people. Appropriate and enabled management structures demonstrating strong leadership are critical, as is ensuring we attract and retain the right people with the right skills in every role within our business.

### What is involved?

A structured and all-encompassing approach in every business across the Group to our recruitment, development and succession planning. Our processes enable our teams to identify and nurture future potential in order to ensure effective succession and future development of our businesses. We instil a culture of continuous improvement and development of each individual and provide a range of opportunities and rewards to ensure retention of our best people.



**Pictured:** The Chairman presenting a number of service awards to employees at a lunch in Normanton.

### Outcome

By adopting such clear and focused people processes, we will become an employer of choice, enabling a high performance culture where people not only learn and develop, but are motivated to achieve personal and business goals on a consistent basis.

## Divisional Business Review

# Napier Brown

## Managing Director Jon Tanner gives a review of 2012/13

### 2012/13 Review

Volume and sales revenue both grew resulting in an EBITDA of £4.7 million, an increase of over 20% on last year's level of £3.9 million. Sales increased in particular in the manufacturing sector, while in retail margins were enhanced by the successful added value Whitworths launches. These trends present a model for the business going forward.

The major manufacturing customers are keen to find new supply sources and we are keeping them briefed on our future plans in this area. In retail, our innovation programme has been greeted enthusiastically by retailers who are keen to see a strong third brand operating in the market. We have supported Whitworths with PR, web and social media campaigns.

### Q&A

#### What are your strategic priorities?

**JT:** Our growth is dependent on sourcing more sugar and this means imports. Our new "Sugar Hub" at Immingham is designed to make importing sugars, from whatever source, efficient and cost-effective. We know that changes to the EU sugar regime and the likely abolition of quotas will not happen until 2015 or later, but we believe that we will be able to source increasing quantities from a number of sources in the coming years. Once we have the sugar our aim is simple: to be the best sugar business in the UK. That is the best to sell to, buy from and work for. As well as providing additional choice to our customers, we will innovate in both the products we sell and the service which we offer. We know that is what our customers are looking for.

#### How do you view the coming year?

**JT:** Clearly getting the Sugar Hub fully operational is a major priority and we are on track to achieve that this year. We believe that on the back of this we can increase our market share in the October contract season. We also intend to build on the success of the Whitworths for Baking products, with a range refresh and new activity later this year and some further new products timed for 2014.

### 2013 Performance

	12 months ended 31 March 2013 £'000s	12 months ended 31 March 2012 £'000s	15 months ended 31 March 2012 £'000s
Revenue	157,156	152,642	176,885
EBITDA	4,723	3,912	4,383
Operating profit	4,353	3,355	3,703
Operating profit %	2.8%	2.2%	2.1%

#### Jon Tanner

Jon spent ten years with RHM/Premier Foods where he became Sales and Marketing Director for Rank Hovis. He then spent two years as Sales and Marketing Director for Calor Gas. He joined Napier Brown as Sales Director in March 2011 and was appointed Managing Director in July 2012.



Scan the QR code with your smartphone to take you directly to content online

[www.napierbrown.co.uk](http://www.napierbrown.co.uk)

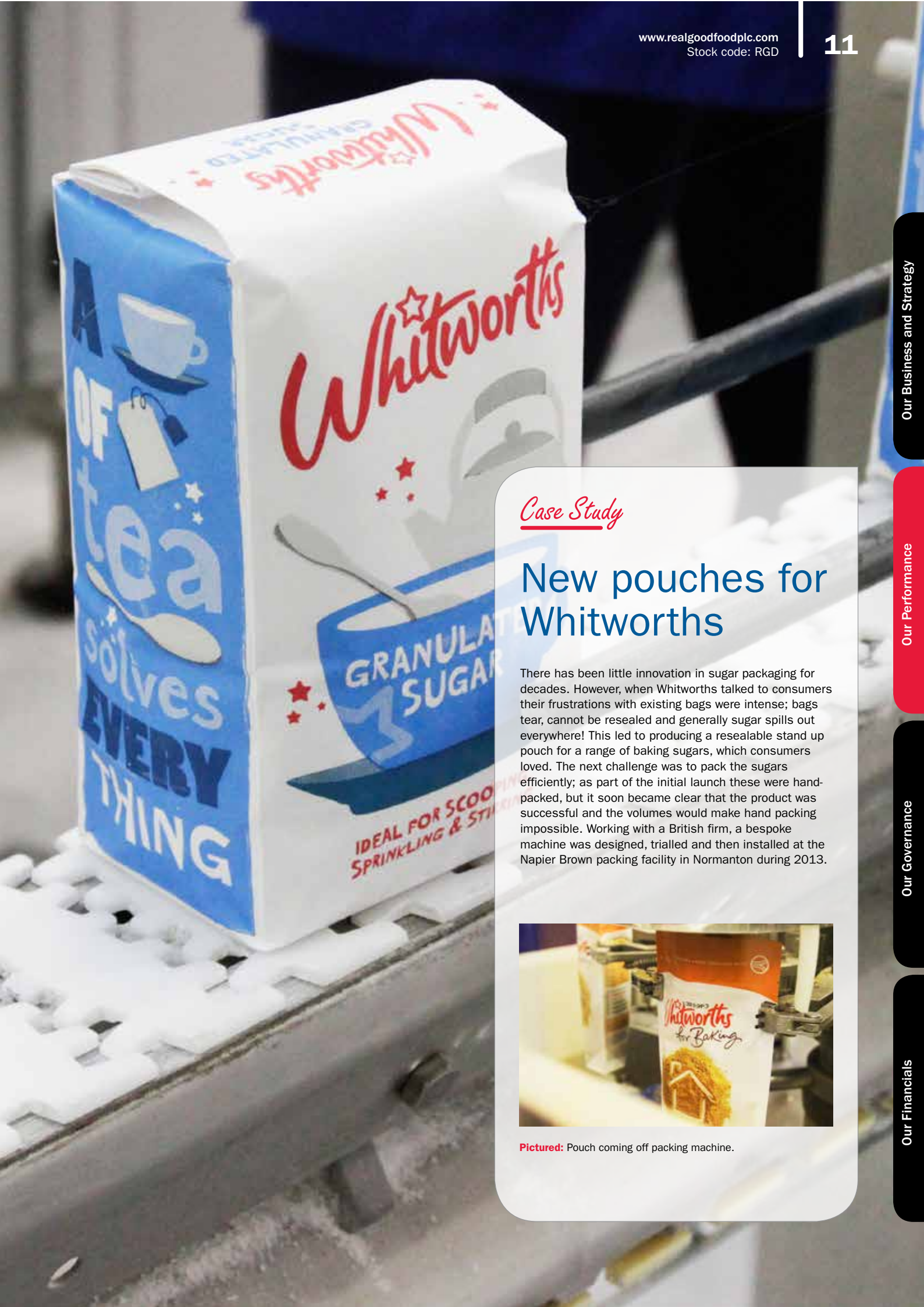
### *Case Study*

## New pouches for Whitworths

There has been little innovation in sugar packaging for decades. However, when Whitworths talked to consumers their frustrations with existing bags were intense; bags tear, cannot be resealed and generally sugar spills out everywhere! This led to producing a resealable stand up pouch for a range of baking sugars, which consumers loved. The next challenge was to pack the sugars efficiently; as part of the initial launch these were hand-packed, but it soon became clear that the product was successful and the volumes would make hand packing impossible. Working with a British firm, a bespoke machine was designed, trialled and then installed at the Napier Brown packing facility in Normanton during 2013.



**Pictured:** Pouch coming off packing machine.



## Divisional Business Review

# Garrett Ingredients

## Managing Director Tom Fowler gives a review of 2012/13

### 2012/13 Review

While volume and revenue grew in the year, spot prices in both the dairy and sugar markets were below the levels of last year. This led to reduced margins and EBITDA fell accordingly to £2.2 million as compared with £2.7 million last year. Such cyclical patterns are not unusual in a trading business.

The poor 2012 summer also impacted on sales to the ice cream industry. The business, however, progressed in developing its product range, with the new distributorships secured for dextrose and sweetened condensed milk.

### Q&A

#### What are your strategic priorities?

TF: Our vision is to become a "one stop shop" for a range of ingredients for small and medium sized UK food businesses. We will maintain our historic strength in skimmed milk powders, bespoke dairy blends and sugar while building a broader portfolio. From the customers' perspective they have the benefit of buying a range of specialist ingredients from one provider and from the suppliers' perspective we can deliver a trusted route to market to a broad manufacturing customer base within the UK. We also have plans to invest more heavily in our own supply chain, to provide additional sales opportunities and improved service levels.

#### How do you view the coming year?

TF: It is likely that trading conditions will remain tough and the dairy market in particular will continue to be as volatile as ever. To some extent this volatility helps our customer proposition, as we are able to offer a degree of stability, particularly in terms of supply security. We will work on marketing our business up and down the supply chain, with investment in additional sales resource and a new website. Meanwhile we hope to secure new distributorships during the course of the year which will give further momentum to our sales growth.

### 2013 Performance

	12 months ended 31 March 2013 £'000s	12 months ended 31 March 2012 £'000s	15 months ended 31 March 2012 £'000s
Revenue	31,260	29,783	38,181
EBITDA	2,151	2,677	3,231
Operating profit	2,151	2,677	3,231
Operating profit %	6.9%	9.0%	8.5%

### Tom Fowler

Tom has 25 years' experience in selling and trading roles, initially in flour milling and bakery ingredients with businesses such as Bowmans and ABF. Over the past 12 years he has become an expert in the dairy market and at Dale Farm had responsibility for trading across the UK and Europe. Tom became Managing Director of Garrett Ingredients in 2011.



Scan the QR code with your smartphone to take you directly to content online

[www.garrettingredients.co.uk](http://www.garrettingredients.co.uk)

### *Case Study*

## Garrett Ingredients – bringing it all together

A new delivery model is being trialled in the South West with a Garrett Ingredients-liveried vehicle managing deliveries to existing customers as well as developing sales with new customers in the same geography. This will enable us to manage and control our supply chain and offer a more flexible service and better value to our customers. There is relatively little capital investment involved, as we will be partnering with existing suppliers and the plan is to roll out the optimum model across the country on a region by region basis.



**Pictured:** Garrett Ingredients lorry.

## Divisional Business Review

# Renshaw

## Managing Director Robin Mountain gives a review of 2012/13

### 2012/13 Review

Sales revenue at £41.0 million continued to grow, up 2.2% on last year, although EBITDA at £5 million was lower than last year's strong performance of £5.6 million, with overheads increasing as the business invested in new resource to capitalise on the market opportunities which we have identified.

Sales volumes continued to be buoyant in most sectors, though a decision was taken to exit some lower margin industrial business. Delivered margin grew ahead of sales as margin mix improved with the focus on more added value products. Most of the fixed cost increases involved sales and technical management (particularly for export and on-line). There were also a number of costs associated with the brand relaunch of Renshaw, with the full range of products across all sales channels planned to be repackaged during 2013.

### 2013 Performance

	12 months ended 31 March 2013 £'000s	12 months ended 31 March 2012 £'000s	15 months ended 31 March 2012 £'000s
Revenue	41,033	40,238	46,368
EBITDA	4,952	5,557	5,816
Operating profit	4,125	4,824	4,908
Operating profit %	10.0%	12.0%	10.6%

## Q&A

### What are your strategic priorities?

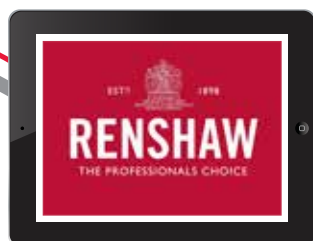
**RM:** We have recognised the market growth potential for our products both here in the UK and internationally and our strategy is simple: to gear up the business in all respects to meet this potential. We have separated UK from Export by appointing an International Sales Director and we now have an e-commerce team to develop our on-line plans. Operationally we now need to invest in more capacity on those lines where we are seeing significant sales growth (e.g. coloured icings).

### How do you view the coming year?

**RM:** The rebranding of our range under the new Renshaw livery (not only in consumer but also business to business) gives us some exciting opportunities. We also have a number of new product launches (such as caramels and frostings). Meanwhile, we are developing our on-line offering, while in Export our initial areas of focus will be the US and Europe, where we will be co-ordinating our efforts through the new Real Good Food office in Brussels. We spent much of last year clarifying our strategy and prioritising the opportunities. We now have a reshaped management team in place and the business is well equipped to meet its objectives.

### Robin Mountain

Robin has wide experience of the UK food industry with senior operational roles at United Biscuits, Warburtons and most recently Greencore where he was a Site Director. Robin joined Renshaw as Operations Director in 2012 and was appointed Managing Director in April 2013.



Scan the QR code with your smartphone to take you directly to content online

[www.renshawbaking.com](http://www.renshawbaking.com)

### *Case Study*

## The Renshaw Roadshow

Cake shows are an important marketing vehicle for brand and this year the Renshaw team exhibited at two major shows over consecutive weekends in April: the Cake & Bake Show at Manchester Central and Cake International at London Excel. Both were fantastic opportunities to showcase the new brand livery and demonstrate the versatility of Renshaw's market leading sugarpaste. A new high-profile stand was designed and built which encompassed a dedicated demonstration area with a "Sugarcraft Academy" where the Renshaw team of experts could share new ideas and inspiration with customers and consumers. The shows were extremely well attended with the stands packed with sugarcraft enthusiasts from dawn until dusk. Renshaw will be exhibiting later this year at the Coronation Festival in Buckingham Palace during July, as well as the Cake & Bake Show at Earls Court in September.



**Pictured:** Renshaw exhibition stand.

## Divisional Business Review

# R&W Scott

## Managing Director John Easton gives a review of 2012/13

### 2012/13 Review

This was the first year that R&W Scott has been run as a stand-alone business and it was encouraging that it achieved a positive EBITDA of £0.4 million this year as opposed to a £1.2 million loss last year.

Sales fell year on year, but this was largely a result of a conscious rebalancing of the product portfolio towards more added-value sectors. Margins were well controlled and production efficiencies improved driving the better performance over last year. The other main achievement was to put together a management team and work up a business strategy and plan. In this context it was a great boost for the business to win the Food and Drink Category at the 2013 Lanarkshire Business Awards.

### Q&A

#### What are your strategic priorities?

JE: The majority of our sales are currently in coatings and we need to rebalance our product range by increasing our market share within jam. Also within both these product categories we will start to utilise our brands to create more added-value offerings such as the premium sauces which we will launch later this year. We have undertaken a complete review of our ranges and have some exciting new designs for our branded products; this is designed to make us market and commercially driven rather than just a food production site. Investing in our people, both management and in our factory, will be crucial to this.

#### How do you view the coming year?

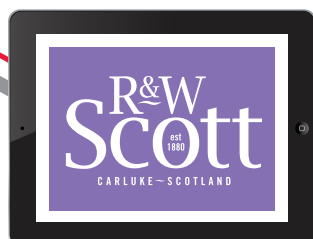
JE: I am very excited that our new jam ranges, under the R&W Scott and Scott's brands, will be launched over the next few months. These will kick-start our new strategy. In coatings, the majority of our sales are business-to-business, but we will still see an important role for our Scott's brand here, as it reflects our reputation and expertise which will help us as we broaden into new channels such as foodservice. Finally, we have some new premium sauce products which we will start selling during the first half of the year and which will have a positive effect on our margins.

### 2013 Performance

	12 months ended 31 March 2013 £'000s	12 months ended 31 March 2012 £'000s	15 months ended 31 March 2012 £'000s
Revenue	10,968	11,819	14,437
EBITDA	425	(1,191)	(1,044)
Operating profit	166	(1,428)	(1,338)
Operating profit %	1.5%	(12.1%)	(9.3%)

#### John Easton

John has over 20 years' experience in the food industry at Grand Metropolitan, Dale Farm and Vion where he gained experience in operations, logistics, technical and quality assurance. He joined the Carluke site in 2006 as Head of Operations and was appointed Managing Director of the newly set up R&W Scott business in 2012.



Scan the QR code with your smartphone to take you directly to content online

[www.randwscott.com](http://www.randwscott.com)

## *Case Study*

# R&W Scott premium sauces

The R&W Scott brand is well known for making jams, but the Carlisle factory also has strong expertise in coatings. A project was set up to assess how to match production expertise with market opportunity and brand relevance. This led to the development of a range of high quality sauces. The new premium sauces will be launched under the R&W Scott brand in pouches in retail, although opportunities are already being realised in business-to-business. Initially three varieties are being introduced (Belgian chocolate, caramel and butterscotch) and customers have requested further flavours.



**Pictured:** The new R&W Scott premium sauces. The products' versatility is communicated on the packaging: "Cover, Fill, Dip, Pour".

## Divisional Business Review

# Haydens Bakery

## Managing Director John Larsen gives a review of 2012/13

### 2012/13 Review

EBITDA increased by £0.8 million year on year and whilst the improvements were delivered later than anticipated, at the year end we were achieving our targeted run-rate. This demonstrates that our plan is fully achievable and it is pleasing to report that these positive trends have continued into the new financial year.

A rationalisation of the product range reduced the level of sales growth, but this had a very positive effect on manufacturing costs. The new Hopton distribution centre continued to operate successfully as well as contributing revenue through its third party sales.

### Q&A

#### What are your strategic priorities?

JL: We want to be recognised by our customers as the supplier of choice in the products which we offer. We need to continue innovating with new products, developing our frozen offering and investing in efficient plant and process. The frozen capability is all important on two counts: commercially it is critical to our growth plans as it opens up new sales channels, while operationally it will enable us to flatten out production over the week thereby increasing our efficiency.

#### How do you view the coming year?

JL: The return to profitability during the second half of last year was all important for us and we need to build on this momentum. We have a reshaped team who are focused on this. I would point to four areas. In order to meet our sales ambitions we will continue to invest in new product development. This requires us to understand consumer trends and requirements and match these to our skills and capabilities. We plan also to broaden our customer base and grow the Hopton (our distribution hub) business. Operationally we are putting a lot of effort into improving our planning and reducing the complexity of what we do and finally investing in plant, which will make us more efficient.

### 2013 Performance

	12 months ended 31 March 2013 £'000s	12 months ended 31 March 2012 £'000s	15 months ended 31 March 2012 £'000s
Revenue	25,337	24,485	29,658
EBITDA	341	(462)	(604)
Operating profit	(417)	(1,040)	(1,333)
Operating profit %	(1.6%)	(4.2%)	(4.5%)

#### John Larsen

John has had wide-ranging experience in the bakery industry in both Denmark and the UK running sites at Memory Lane Cakes and Park Cakes for Northern Foods. More recently he spent four years within Morrisons' Manufacturing Division. John joined Haydens as Operations Director in 2012 and was appointed Managing Director in April 2013.



Scan the QR code with your smartphone to take you directly to content online

[www.haydens-bakeries.co.uk](http://www.haydens-bakeries.co.uk)

### *Case Study*

## A Lemon Tart

Haydens has identified the coffee shop market as an area of significant potential for its products. There are over 15,000 outlets in the UK and this is predicted to continue growing. The Haydens development team embarked on a project to deliver a fruit-based tart product which could be supplied frozen but held fresh on the counter in a coffee shop. A lemon and white chocolate tart was developed and it soon became a strong performer in its category, leading to the development of further varieties, including a chocolate ganache. Further launches are planned in the coming year.



**Pictured:** The lemon tart currently on sale in Costa outlets.

## Corporate Social Responsibility

The Group has adopted a CSR policy which is defined and managed by the RGFC Executive and reviewed by the Board. Each business is required to adopt the Group policy and progress is monitored biannually with each business.

The policy comprises three core principles:

- ✓ Looking after our **people**
- ✓ Engaging with our local **communities**
- ✓ Operating **responsibly** and **sustainably** in everything we do

“Corporate Social Responsibility is central to the way we run our business, day in and day out”

**Pieter Totté**  
Chairman

### Looking after our people

#### Health and Safety

This is our priority policy. The organisation of Health and Safety is well established at each of our operating sites, actively managed at a local level by Director-led Site Committees. Every six months the performances and priority issues of each business are reviewed at Group level with Group Directors taking input both from site representatives and an independent external assessor. Annually, this group is joined by representatives from our insurers.

Five years ago we embarked on an improvement plan covering all aspects of Health and Safety with our external assessor setting common benchmarks and an overall Safety Performance Audit score. We are pleased to report that this structure, and the adopted continuous improvement ethic, has driven an improving safety performance for our Group over this time period with record scores being achieved in 2012.

### Occupational Health

At all our sites employees have access to Occupational Health services. Our advisers support both the business and all employees in providing effective health surveillance and advisory services, with the focus on preventative measures.

### Talent Management

We have recently developed and are implementing a talent management review process which will enable us to identify and develop potential high performers from our existing workforce whilst also providing development opportunities for all employees. Details of this are described on page 9.

### Training and Development

During the last year we have introduced a variety of training and development activities across all businesses at all levels, ensuring minimum competencies are achieved in all disciplines. The effectiveness of such investment is monitored and evaluated regularly.

### RGFC Health and Safety Audit Summary

	2008	2009	2010	2011	2012
Napier Brown	59%	72%	75%	82%	88%
Renshaw	70%	76%	83%	87%	91%
R&W Scott	63%	76%	83%	81%	85%
Haydens	74%	75%	79%	83%	87%

Having achieved this level of improvement it is planned to set new benchmarks and embark on a further five year improvement plan.

Opportunities for development include the introduction of apprenticeships, secondments, project based learning, professional study and external training. 2013–14 will also see the introduction of a mentoring programme to support our talent management review process.

### Communication

Employee Communication Forums have now been established in all businesses, facilitating effective two-way communication with all employees. The opportunity for involvement and input is open to all and we will build on these processes in the coming year.

### Engaging with our local communities

#### Charitable Giving

At all of our businesses our employees support local and national charities through fundraising activities. Each business has a Social and Fundraising Committee, which comprises employees from all areas. Charities supported during the past year have included: Alzheimer's Society, Marie Curie Cancer Care, Macmillan Cancer Support, Wakefield Hospice, Cystic Fibrosis, Wiltshire Air Ambulance and many other smaller local charities.

Activities have included raffles, sponsored fun runs, marathons, half marathons, bike rides, race nights, tea parties, product donation, and many many more!

Significant sums have been raised by our employees and their activities supported by our businesses through additional donations whether they be financial, product or time.

#### Schools and Colleges

Local education establishments are supported in a number of ways: work placements, both at school and undergraduate level; working with local schools to raise awareness of the world of work; projects undertaken in conjunction with local universities, particularly in the area of new product development; factory tours to raise awareness of business and manufacturing. Our intention is to continue to develop such links to ensure we are contributing to the development of our future talent pool.

### Operating responsibly and sustainably in everything we do

#### Ethical Trading Initiative

The Ethical Trading Initiative (ETI) is an alliance of companies, non-governmental and trade union organisations whose purpose is to promote and improve the implementation of good corporate codes of practice with regard to supply chain working conditions. Its ultimate aim is to ensure that working



**Pictured:** Members of the Renshaw team competing in a Santa Dash in Liverpool for Marie Curie Cancer Care.

conditions of workers producing for the UK market meet or exceed international standards.

RGFC adheres to the five core principles of the ETI and receives regular audits which are posted on the SEDEX website for our customers and suppliers to view.

#### Sugar Sourcing

As well as applying the ETI principles RGFC believes strongly in "fair trading". RGFC buys and sells some "Fair Trade" sugar where a "Fair Trade" premium is added to the product price. However, it is clear that in the sugar and other markets there is a difference between "Fair Trade" and "fairly traded" product and it is the latter which RGFC will support. A "Fair Trade" premium paid on a price which is not shared equitably across the whole supply chain is not sustainable.

Our sugar sourcing strategy will always follow the principle of being "fairly traded" with a focus on ensuring that all elements of the supply chain benefit from the overall price.

#### Waste management

Good waste management is both responsible from an environmental perspective and good business practice. Landfill tax has increased from £32 per tonne in 2009 to £72 per tonne in 2012. All our sites have now set targets on recycling and these will in future be measured and reported centrally. Major improvements have already been made

at some sites with Normanton's "Re-melt, Re-use, Re-cycle" programme achieving 95% of waste produced being reused or recycled on site.

Our Renshaw business has partnered a local "Waste to Energy" facility such that 100% of site waste is now accommodated in either "material recycling" or in a "waste to energy" programme with zero going to landfill. The "waste to energy" programme brings to life not only the financial benefits of recycling but also the environmental return with illustrative measures which indicate that the waste from Renshaw is converted to provide sufficient energy to power 16 homes for a year replacing 16,000 litres of heating oil, and their recycling efforts saving 450 trees annually.

Besides physical waste, each manufacturing site participates in the Government's Climate Change Initiative meeting energy reduction targets for the consumption of electricity and gas. This initiative has now been running since October 1999 and clearly demonstrates that, with appropriate focus, significant improvements can be made. Renshaw, for example, has shown a 9% improvement in energy consumption per tonne of product produced.

All the learnings from these initiatives are shared between the sites at regular functional forums spreading best practice, reducing costs and doing what we can to protect the environment.

## Finance Director's Report

# EBITDA is up 24% on last year and Net Debt has reduced by £3.7 million

Finance Director **Mike McDonough** reviews 2012/13 and comments on the progress made over the past three years

*Did you know?*

Haydens Bakery produces over

**13 million**  
yum yums every year

Having been associated with the Renshaw and R&W Scott businesses for over twenty years and soon to have been in my present role as Group Finance Director for four, I think it is appropriate, in addition to the specific commentary on the year in this annual report, to take stock of the progress the Board and the Divisional Executive teams have made.

### Structure

The Group itself is now a much simpler and clearer organisation with more focus and visibility both internally and externally on performance as a result of the following changes:

- The establishment of Garrett Ingredients and R&W Scott as separate trading divisions from Napier Brown and Renshaw respectively
- The hive down of Haydens from the parent Company into its own separate legal entity
- The liquidation of numerous non-trading dormant subsidiaries which presented clutter to stakeholders such as Credit Insurers and potential funders

“The Group is now a much simpler and clearer organisation with more focus and visibility on performance”

**Mike McDonough**  
Finance Director



As the Chairman also touches on, having Managing Directors now in place in all divisions supported by their own management teams completes our transition into locally managed businesses focused on delivering their opportunities and business plans supported by the Group's Executive team.

## Performance

The last two years' performance, with EBITDA growing to £10.5 million this year is a long way from the period from 2008 until 2010, when the Group was navigating its way through the uncertainties and pressures of the EU Sugar regime reform when EBITDA averaged approximately 50% of current levels. More importantly, each division now has the opportunities and plans to deliver a growing and more sustainable profit base in the future:

- Napier Brown has restored its profitability levels post the sugar regime reform and has made great progress in securing its supply lines and growth plans through the Group's partnership with Omnicane and the investment in sugar handling facilities in Immingham boosting capabilities dramatically. Revitalising the retail and foodservice range under the Whitworths brand also offers significant opportunities
- Garrett Ingredients will always experience a degree of variability in performance as it operates in a trading market but is well equipped to deal with this and has also made significant progress in extending its product offering by taking on new distributorships and range extensions, as well as extending its sources of supply particularly in the Dairy sector to ensure availability and deliver the growth opportunities
- Renshaw has undoubtedly been in the right place at the right time to take advantage of the significant growth in the home baking market both here in the UK and the US. Not resting on its laurels, it has recognised the need to invest in the business now, primarily brand and commercial resource, to take advantage of further added value growth in the UK and the huge opportunities which export offers
- R&W Scott has been focusing on improving its product offering and re-establishing the brand offering it historically had. The separation from Renshaw has benefited both businesses bringing more clarity and focus
- Haydens for some time has had a clear vision of its operational improvement plan including the introduction of freezing capacity but has struggled to deliver on this. However, we have seen the management team make a significant

step forward in the second half of this year both operationally and commercially, and there are clear and exciting plans to continue the development and sustainably improve margins and build the bottom line. On the commercial side the team is being strengthened and, plans are in place to develop the existing range as well as increasingly pursuing new product and customer opportunities.

- RGFE (Europe) is still very much in its early days but we can see already the synergies with our existing business, starting with Renshaw, and the difference it will make in accessing the commercial opportunities in Europe

## Net Debt

Despite the relative uncertainty throughout the period of sugar regime reform, Net Debt levels have always been under control, manageable and trending down. The significant increase in sugar prices at the start of 2011 when prices increased by 40% did push Working Capital and hence Net Debt up although this was well within our funding facilities as reported in last year's annual report.

We will be investing significantly in the coming year, primarily in the Immingham sugar handling facility, but with funding capacity in place, and cash generation, improving Net Debt levels will resume a downward path thereafter.

## Financing

We have reported previously on the refinancing exercise we completed in December 2012 increasing and extending our existing facility with PNC and their partner ABN AMRO by £10 million to £50 million. Securing these facilities for the next five years is a huge vote of confidence in the business in a difficult market where renewals and extensions of facilities continue to be elusive to some and especially on improved terms. Increasing the facilities is a key element in providing us with the capacity we need to meet our investment and growth plans.

We have worked with the management team at PNC, and also previously when they were part of KBC since 2008. They understand our business and have demonstrated a flexible approach to meeting our requirements and needs. The facilities are competitively priced, asset based, focusing primarily on ID (invoice discounting) and stock financing which works well since as we grow Sales the assets increase accordingly, especially Debtors, providing additional funding capacity. The facilities are well balanced with

£8.1 million of term loans repayable over the next five years largely secured on property and plant with a book value of £17.7 million as at March 2013.

Whilst property values generally remain depressed a recent exercise on the Immingham site indicates significant untapped value in assets with replacement costs three times the £1.7 million acquisition cost. Our operations team have recently completed an exercise, for insurance purposes, indicating replacement values as a whole across our property and plant assets of approximately £92 million. We would expect some extra financing capacity to become available as particularly property values pick up should the economy's outlook improve.

We also have a new partner on board, Lloyds TSB, who provide us with clearing and ancillary facilities with the potential for other funding opportunities especially in the supply chain.

In summary, at all levels the Group has developed hugely in recent years both in structure and focused management capability: it is now demonstrating its ability to deliver volume growth and more sustainable profits with increasing cash generation and financing capacity setting a solid base for the future.

## REVIEW OF THE YEAR

### Accounting reference date

As commented on at the start of this report, the change in the accounting reference date in April 2011 will improve the Group's budgeting and forecasting routines, and provide stakeholders with improved commentary and trading updates. In order to make clear our underlying performance the emphasis in commentary in this report will be on comparisons of the current 12 month period ended 31 March 2013 (year) with the 12 months ended 31 March 2012 (last year).

### Overview

It is very pleasing to be able to build on last year's performance with the Group delivering further improvements in EBITDA at £10.5 million, up 24%, on the £8.5 million delivered last year. What was particularly pleasing were the turnarounds in Haydens and R&W Scott divisions who both returned to profitability at the EBITDA level vindicating the actions taken in the last 12-18 months. Net Debt levels remain under control at £25.0 million, an improvement of £3.7 million on last year.

# Finance Director's Report continued

## Revenue

Group revenue from continuing operations for the 12 months to 31 March 2013 was £265.8 million, which on a like-for-like basis was approximately 2.8% up (£7.2 million) on the 12 months to 31 March 2012. Volumes, mainly sugar, in Napier Brown and Garrett Ingredients were up 5% overall with the rest of the Group down slightly as they focused, this year, on improving sales mix with the emphasis on added value lines.

Further movements in base commodity costs did require price increases to be passed on but we saw nothing like the dynamics of last year when sugar prices increased by up to 40% at the start of 2011 putting significant value into the balance sheet.

## Key Comparatives

(Continuing Operations excluding Significant Items)

	<b>12 months ended 31 March 2013 £'000s</b>	12 months ended 31 March 2012 £'000s	15 months ended 31 March 2012 £'000s
Revenue	<b>265,754</b>	258,573	305,529
Gross profit	<b>37,285</b>	33,472	39,626
Delivered margin			
(Gross profit after distribution costs)	<b>25,620</b>	22,887	26,617
EBITDA	<b>10,466</b>	8,455	9,185
Operating profit			
(EBITDA less depreciation)	<b>8,241</b>	6,341	6,564
Operating profit %	<b>3.1%</b>	2.5%	2.1%
Profit before taxation			
(After Financing & Pension costs)	<b>6,765</b>	4,925	4,910

## Margins

Delivered margin for the year was £25.6 million with EBITDA of £10.5 million as compared with the 12 months ended March 2012 of £22.9 million and £8.5 million respectively. The prime drivers of the £2.0 million improvement in EBITDA were Haydens, £0.8 million, and R&W Scott, £1.6 million, with both businesses recovering from losses at this level last year.

## Profit before Tax and Interest

Overall profits for the year at £6.8 million (PBT continuing operations including pension "running costs") increased by £1.8 million, over the 12 months ended March 2012. £0.1 million higher depreciation, reflecting increased capital expenditure and £0.1 million higher interest costs reflecting higher Net Debt levels during the year slightly diluted the £2.0 million EBITDA improvement.

## Financing Costs

Financing costs for the year at £1.48 million were approximately 10% up on the prior year reflecting the higher Working Capital levels during the year.

## Significant Items

During the year the Group incurred one-off costs of £0.5 million due mostly, £0.4 million, to the reshaping of the Executive team at Haydens, including a new Managing Director and Financial Controller now in place, £0.1 million was incurred in "break costs" associated with the refinancing exercise we completed with PNC, our existing provider in December.

## Working Capital & Net Debt

	<b>31 March 2013 £'000s</b>	31 March 2012 £'000s
Working Capital		
(Fixed Assets/Stock/Trade Debtors & Trade Creditors)	<b>42,555</b>	38,750
Net Borrowings (Incl Cash)	<b>24,952</b>	28,655
Net Debt/EBITDA	<b>2.4</b>	3.3*

\* Based on 12 months to March 2012.

## Cash Flow and Debt

Working Capital levels have increased by £3.8 million during the year. Within this Fixed Assets were up a net £1.5 million (£3.7 million Capital expenditure less £2.2 million depreciation) reflecting our investment plans with the balance £2.3 million, consisting of movements across the more fluid stock, debtor and creditor positions.

Net Debt (after Cash) as at 31 March 2013 was £25.0 million, down £3.7 million (13%) on the prior year (31 March 2012 – £28.7 million) reflecting the cash generated from the improved trading performance and also the shares issued in the year as shown in this simple bridge for the year overall.

## Net Debt Movements

	31 March 2013 £'000s
<b>Opening April 2012</b>	<b>28,656</b>
Operating Cash	(4,989)
Share Issue	(2,459)
Capex	3,744
<b>Closing March 2013</b>	<b>24,952</b>

Our ability to service this debt has improved significantly with a reduction in the key Debt ratio (Net Debt to EBITDA) from 3.3 last year to 2.4 currently.

## Pensions

### Pensions Summary

- The Group operates one defined benefits scheme which was closed to new members in 2000
- The Group expects to be able to confirm shortly its agreement in principle with the trustees on extending the existing recovery plan with contribution levels for the coming year to be £265k as originally planned with annual increments of 3% for the following two years. In the current year contributions were £187k and £177k in 2011/12. The Group is confident this will meet the trustees' needs and the pension regulators' guidance whilst it implements its growth plans
- Latest IAS valuation indicates £3.5 million deficit, an increase of £2.4 million since March 2012, driven mainly by current market conditions and also its impact on depressing discount rates used in calculating future liabilities

### Pensions Commentary

Two subsidiaries, Napier Brown Foods Limited and Renshaw Napier Limited, operate a defined benefit pension scheme which has been closed to new members since 1 June 2000. In common with virtually all companies with such pension schemes we have to report at this time a significant deterioration in the deficit within the scheme. As has been widely reported in the press, this is a result of current economic policies and their effect on gilt rates which are taken as the prime actuarial assumption in calculating discount rates and thereby the potential future liabilities within a scheme. If gilt rates improve as is widely expected over the next few years then, all things being equal, liabilities within the scheme will be reduced and the deficit will also therefore go down. It is perhaps worth noting that in June 2011 the scheme was in surplus.

International Financial Reporting Standards require an actuarial valuation of the scheme to be undertaken at each accounting date (IAS 19 Employee Benefits). At 31 March 2013 this identified a £3.5 million current deficit, a deterioration of £2.4 million since 31 March 2012 driven mainly by an assumed actuarial increase in the scheme's benefit obligations.

- The scheme's assets at 31 March 2013 are £15.6 million, on the face of it a reduction of £0.4 million since 31 March 2012, although this includes a £0.8 million divestment to meet transfer out payments in the year. "Like with like" asset values however were 2.3% higher than the £16.0 million opening position.
- The scheme's liabilities (benefit obligations) at £19.2 million increased overall as set out below. The future assumptions are largely driven by the reduction in discount rates with the experience adjustment originating from the latest triennial valuation as at 31 March 2012, which whilst not being finalised has to be factored into the calculations.

# Finance Director's Report continued

## Deficit Movements

	£m	£m
<b>Opening April 2012</b>		<b>(1.1)</b>
Income/Contributions	<b>1.2</b>	
Benefits paid	<b>(0.8)</b>	
Transfers Out	<b>(0.8)</b>	
<b>Assets</b>	<b>(0.4)</b>	<b>(0.4)</b>
Transfers Out	<b>0.9</b>	
Experience (mainly Triennial)*	<b>(1.8)</b>	
Future assumptions	<b>(1.1)</b>	
<b>Liabilities</b>	<b>(2.0)</b>	<b>(2.0)</b>
<b>Closing March 2013</b>		<b>(3.5)</b>

\* Represents actual performance 2009 through to 2012 as compared to the actuarial assumptions made by the scheme's actuary at the time.

The Group continues to be proactive with the trustees in managing the scheme, notably exploring with members the options beneficially available to them, which could also help to reduce the scheme's real liabilities going forward. The investment mandate has also been revised during the year as has the choice of investment managers with some changes being made.

It is worth noting that whilst the key market drivers are exceptionally weak at the moment primarily as a result of policies such as quantitative easing and the maintenance of low interest rates, the Government has prompted the pension regulator to encourage all trustees and employers to give more focus to "private sector investment and growth" and "support scheme funding arrangements that are compatible with sustainable growth for the sponsoring employer".

The Board are in discussion with the trustees regarding this and a common sense approach to current market conditions and actuarial valuations whilst remaining committed to fulfilling the Group's obligations. This is already in place to an extent as reflected in the existing recovery plan, agreed in 2009, which will be renewed in the next few months once discussions with the trustees are completed. During the period the Group contributed £187,000 (2011/12 – £177,000) 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:

	<b>31 March 2013</b>	31 March 2012
Revenue growth <sup>1</sup>	<b>2.8%</b>	n/a
Operating margin <sup>2</sup>	<b>3.1%</b>	2.5%
Debt cover (Net debt/EBITDA) <sup>3</sup>	<b>2.4</b>	3.3*
Interest cover <sup>4</sup>	<b>7.1</b>	4.8
Health & Safety score <sup>5</sup>	<b>88%</b>	83%

\* Based on 12 months to March 2012.

<sup>1</sup> Revenue growth is calculated for continuing operations.

<sup>2</sup> 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.

<sup>3</sup> 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.

<sup>4</sup> Interest cover is calculated by dividing EBITDA by net interest payments (gross interest payable less interest receivables).

<sup>5</sup> 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. Figures quoted refer to the calendar year.

## Risks 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 during last year our most recent market experience, and current outlook, for some raw materials indicates continued pressure for sales prices to be flexed accordingly although there are some signs of the economy's slowdown having an impact in certain 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 14m tonnes.

This process caused considerable instability in the sugar market and for all its operators from 2008 through 2010. The EU continues to be lobbied by all interested parties on what the next changes should involve. Currently the EU Commission is recommending that EU sugar beet production quotas should end in 2015 while The European Parliament is suggesting that they continue until 2020. Most industry observers believe that a date in between will be agreed. Whatever the date, it is clear that our multi-sourcing strategy is going to be a key dynamic in ensuring that we secure the supplies we need and 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 and Safety continues to be 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. The Group purchases consumer market data in order to track changes in trends in general as well as monitoring 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.

### Mike McDonough

Group Finance Director  
26 June 2013

## Directors of the Group



### Executive Directors

#### Pieter Totté

(Executive Chairman)

Pieter started his business career in the automotive industry working at Ambi BV in Holland and as Managing Director of Radcliff Europe BV. He subsequently set up his own business supplying the coach building industry in the Benelux markets. Since moving to the UK in 1983, Pieter has developed a range of business interests initially at Parkfield plc and the corporate finance boutique, Midicorp, from 1992 to 2009, which focused in particular on the food manufacturing sector bringing several businesses to market. Pieter founded RGFC in 2003 and took over as Executive Chairman 2009.

#### Mike McDonough

(Group Finance Director)

Mike joined Renshaw in 1989 as a 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 and subsequently Napier Brown Foods and RGFC. He joined the Board as Group Finance Director of RGFC plc in 2009.

#### David Newman

(Company Secretary)

David joined Napier Brown & Co Ltd in 1995 following spells in the finance functions at John Mowlem Plc and Pirelli Group Plc. David began as a financial accountant until being promoted in 2005 to Group Financial Controller when Napier Brown Foods Group was acquired by RGFC plc. He was appointed Company Secretary in 2010 to assist the Board in corporate governance and investor relations.

### Non-Executive Directors

#### Patrick Ridgwell

(Deputy Chairman)

Pat has extensive knowledge 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 and became Managing Director in 1972 following its acquisition of his family interests in 1970. He is a Director of Napier Brown Ingredients Ltd.

#### Peter Salter

(Non-Executive Director)

Peter was in practice for 20 years as a tax partner with Chartered Accountants Crowe Clark Whitehill, latterly as CEA. In 1998 he moved into international corporate consultancy where he advised on a number of mergers, acquisitions and fundraisings, working with various financial institutions in the UK and USA. In recent years he has gained considerable experience of the food sector and AIM as a Non-Executive Director. He is Chairman of the Audit and Remuneration Committees of the Group.

#### Chris Thomas

(Non-Executive Director)

Chris 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 before becoming Chief Executive Officer of Napier Brown Foods. He is a Non-Executive Director of AG Thames Ltd.

#### Jacques d'Unienville

(Non-Executive Director)

Jacques has nearly 20 years' experience of sugar and related industries (independent power production, waste and environment management and renewable energy) in France, the Seychelles and Mauritius. He is Chief Executive Officer of Omnicane and the Chairperson of Omnicane Thermal Energy Operations (La Baraque) Limited and Omnicane Thermal Energy Operations (St. Aubin) Limited. He has served as President of the Mauritius Sugar Syndicate and as President of the Mauritius Sugar Producers' Association.

#### Pictured above left to right

Pieter Totté, Mike McDonough, David Newman,  
Peter Salter, Chris Thomas, Jacques d'Unienville

# Report of the Directors

The Directors present their report and the audited financial statements for the 12 month period ended 31 March 2013.

## 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 auditor does not involve the consideration of these matters and, accordingly, the auditor 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 22 to 27. 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 auditor

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 their 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.

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

# Report of the Directors continued

## 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 4 to 27.

## Results and dividends

The Group's revenue from continuing operations for the 12 month period was £265,754k (2012 (15 month period) – £305,529k), yielding a gross profit of £37,285k (2012 (15 month period) – £39,626k) and an operating profit of £8,241k (2012 (15 month period) – £6,564k) from continuing operations before significant items.

There were no discontinued business operations during the period.

The Group's profit for the period after taxation was £4,914k (2012 15 month period – £3,614k). This gives a basic earnings per share of 7.8 pence (2012 15 month period – 6.2 pence) and basic diluted earnings per share of 7.2 pence (2012 – 5.7 pence).

The Group ended the period with net assets of £88,105k (2012 – £82,836k) and cash balances of £7,134k (2012 – £2,506k). 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 12 months ended 31 March 2013 (2012 – £nil).

## Significant items

During the 12 month period the Group incurred reorganisation costs of £505k (2012 – £550k); 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 £7.7 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 2013	31 March 2012
P W Totté*	2,624,124	2,624,124
P G Ridgwell†	22,502,354	22,502,354
P C Salter	162,000	31,000
C O Thomas	240,363	200,363
M J McDonough	22,000	22,000
J M d'Unienville	—	—

\* 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 2013 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	31.9%
Omnican International Investors Limited	22.3%
Barclays Stockbrokers Limited	3.1%

## Directors' indemnities

The Company has paid £14,887 (2012 – £14,887) in respect of Directors' and Officers' Indemnity Insurance.

## 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.

## 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 29 days' purchases outstanding (2012 – 28 days) calculated on the ratio of trade payables to total purchases, adjusted for the 12 month period to allow like for like comparison.

## 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 £12,253 (2012 – £5,062). No political donations were made during the current or previous financial period.

## Research and development

During the period the Group incurred costs of £922k (2012 – £807k) 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.

## Audit Committee

The Audit Committee comprises P C Salter (Chairman) and C O Thomas and meets formally twice per year with the auditor. Its brief is to monitor the integrity of the financial statements of the Group as audited, to consider any significant financial judgements contained in them and to review any formal reporting announcements relating to the Group's financial performance.

In addition, the Committee regularly reviews the Group's internal financial controls and risk management systems and ensures appropriate procedures are in place such as for bribery and whistleblowing. As the external auditor provides other services in addition to the Group's audit (as detailed in note 7), it also annually reviews the independence and objectivity of the auditor and the effectiveness of the audit.

## Remuneration Committee

The Remuneration Committee comprises P C Salter (Chairman) and P G Ridgwell with C O Thomas being co-opted from time to time. It is responsible for setting and reviewing annually the remuneration packages of Executive Directors and senior managers within the Group. Packages are structured to attract, motivate and retain key personnel who have the capabilities, experience and ambition to drive forward and achieve the Group's strategic aims.

The Remuneration Committee is responsible for ensuring that the mix of incentives reflects the Company's needs, establishes an appropriate balance between fixed and variable remuneration, and is based on targets that are appropriately stretching, verifiable and relevant, and which take account of risk. This is achieved through a market related base salary, plus a range of benefits and an annual bonus scheme set to reward achievement of Group or divisional ebitda targets, cash controls and personal objectives.

In addition, the Committee awards share options within the appropriate guidelines to key personnel within the Group as a longer term incentive and retention policy. Options are where possible within an HMRC approved CSOP scheme. All options adhere to the Approved Plan rules whereby no option can be exercised within three years of grant, and have objective conditions attached to them. These conditions are based on achievement of prescribed share prices to align the interests of the option holder with investors.

The Committee meets twice per year unless there are compelling reasons to meet more regularly. The Chairman works closely with the Group Human Resources Director in relation to all relevant matters, including the terms of compromise agreements which in turn are approved by the Committee. External intelligence is sourced annually regarding market salary levels and professional advice sought as and when necessary.

The remuneration of Non-Executives is set by the Executive Directors.

## Auditor

The auditor, 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 26 June 2013 and is signed on its behalf by

**P W Totté**  
Chairman

**M J McDonough**  
Director

# Independent Auditor's 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 12 months ended 31 March 2013 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Statement of Cash Flows and the related notes numbered 1 to 31.

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

This report is made solely to the Company's 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 auditor

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 2013 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  
26 June 2013

# Consolidated Statement of Comprehensive Income

12 months ended 31 March 2013

	Notes	12 months ended 31 March 2013			15 months ended 31 March 2012		
		Before significant items £'000s	Significant items (Note 6) £'000s	Total £'000s	Before significant items £'000s	Significant items (Note 6) £'000s	Total £'000s
Continuing Operations							
<b>REVENUE</b>	4	<b>265,754</b>	<b>—</b>	<b>265,754</b>	305,529	—	305,529
Cost of sales		(228,469)	—	(228,469)	(265,903)	—	(265,903)
<b>GROSS PROFIT</b>		<b>37,285</b>	<b>—</b>	<b>37,285</b>	39,626	—	39,626
Distribution costs		(11,665)	—	(11,665)	(13,009)	—	(13,009)
Administration expenses		(17,379)	(505)	(17,884)	(20,053)	(550)	(20,603)
<b>OPERATING PROFIT</b>	8	<b>8,241</b>	<b>(505)</b>	<b>7,736</b>	6,564	(550)	6,014
Finance income	9	—	—	—	—	—	—
Finance costs	10	(1,560)	—	(1,560)	(1,896)	—	(1,896)
Other finance income	11	84	—	84	242	—	242
<b>PROFIT BEFORE TAXATION</b>		<b>6,765</b>	<b>(505)</b>	<b>6,260</b>	4,910	(550)	4,360
Income tax expense	14	(1,467)	121	(1,346)	(859)	113	(746)
<b>PROFIT FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT</b>		<b>5,298</b>	<b>(384)</b>	<b>4,914</b>	4,051	(437)	3,614
<b>OTHER COMPREHENSIVE INCOME</b>							
Actuarial (losses)/gains on defined benefit plans		(2,731)	—	(2,731)	(1,499)	—	(1,499)
Income tax relating to components of other comprehensive income		613	—	613	360	—	360
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT</b>		<b>3,180</b>	<b>(384)</b>	<b>2,796</b>	2,912	(437)	2,475
Earnings per share from continuing operations:							
– basic	15			7.2p			5.6p
– diluted				6.6p			5.1p

The Notes on pages 39 to 70 form part of these financial statements.

## Consolidated Statement of Changes in Equity

12 months ended 31 March 2013

	Issued Share Capital £'000s	Share Premium Account £'000s	Share Option Reserve £'000s	Retained Earnings £'000s	Total £'000s
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
Share options to be issued	—	—	45	—	45
Deferred tax on share options	—	—	(31)	—	(31)
Shares issued in period	89	2,370	—	—	2,459
Total comprehensive income for the period	—	—	—	2,796	2,796
<b>Balance as at 31 March 2013</b>	<b>1,389</b>	<b>71,244</b>	<b>540</b>	<b>14,932</b>	<b>88,105</b>

The Notes on pages 39 to 70 form part of these financial statements.

## Company Statement of Changes in Equity

12 months ended 31 March 2013

	Issued Share Capital £'000s	Share Premium Account £'000s	Share Option Reserve £'000s	Retained Earnings £'000s	Total £'000s
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
Share options to be issued	—	—	45	—	45
Deferred tax on share options	—	—	(31)	—	(31)
Shares issued in period	89	2,370	—	—	2,459
Total comprehensive income for the period	—	—	—	(1,728)	(1,728)
<b>Balance as at 31 March 2013</b>	<b>1,389</b>	<b>71,244</b>	<b>540</b>	<b>(10,216)</b>	<b>62,957</b>

The Notes on pages 39 to 70 form part of these financial statements.

# Consolidated Statement of Financial Position

12 months ended 31 March 2013

	Notes	31 March 2013 £'000s	31 March 2012 £'000s
<b>NON-CURRENT ASSETS</b>			
Goodwill	16	75,796	75,796
Other intangible assets	17	1,412	521
Property, plant and equipment	18	17,685	17,057
Deferred tax asset	20	1,385	912
		<b>96,278</b>	94,286
<b>CURRENT ASSETS</b>			
Inventories	21	15,037	17,380
Trade and other receivables	22	30,213	24,444
Cash and cash equivalents		7,134	2,506
		<b>52,384</b>	44,330
<b>TOTAL ASSETS</b>		<b>148,662</b>	138,616
<b>CURRENT LIABILITIES</b>			
Trade and other payables	24	21,282	20,082
Borrowings	23	23,032	24,366
Current tax liabilities		750	570
		<b>45,064</b>	45,018
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	23	9,054	6,796
Deferred tax liabilities	20	2,899	2,886
Retirement benefit obligations	31	3,540	1,080
		<b>15,493</b>	10,762
<b>TOTAL LIABILITIES</b>		<b>60,557</b>	55,780
<b>NET ASSETS</b>		<b>88,105</b>	82,836
<b>EQUITY</b>			
Share capital	25	1,389	1,300
Share premium account	26	71,244	68,874
Share option reserve	26	540	526
Retained earnings	26	14,932	12,136
<b>TOTAL EQUITY</b>		<b>88,105</b>	82,836

These financial statements were approved by the Board of Directors and authorised for issue on 26 June 2013.  
They were signed on its behalf by:

**P W Totté**  
Chairman

**M J McDonough**  
Director

The Notes on pages 39 to 70 form part of these financial statements.

# Company Statement of Financial Position

12 months ended 31 March 2013

	Notes	31 March 2013 £'000s	31 March 2012 £'000s
<b>NON-CURRENT ASSETS</b>			
Investments	19	55,892	55,837
Other intangible assets	17	—	22
Property, plant and equipment	18	41	4,610
Deferred tax asset	20	383	639
Trade and other receivables	22	43,839	40,333
		<b>100,155</b>	101,441
<b>CURRENT ASSETS</b>			
Inventories	21	—	657
Trade and other receivables	22	190	2,271
Current tax asset		—	—
Cash and cash equivalents		58	121
		<b>248</b>	3,049
<b>TOTAL ASSETS</b>		<b>100,403</b>	104,490
<b>CURRENT LIABILITIES</b>			
Trade and other payables	24	329	16,323
Borrowings	23	1,823	3,161
		<b>2,152</b>	19,484
<b>NON-CURRENT LIABILITIES</b>			
Trade and other payables	24	29,010	18,548
Deferred tax liability	20	4	224
Borrowings	23	6,280	4,022
		<b>35,294</b>	22,794
<b>TOTAL LIABILITIES</b>		<b>37,446</b>	42,278
<b>NET ASSETS</b>		<b>62,957</b>	62,212
<b>EQUITY</b>			
Share capital	25	1,389	1,300
Share premium account	26	71,244	68,874
Share option reserve	26	540	526
Retained earnings	26	(10,216)	(8,488)
<b>TOTAL EQUITY</b>		<b>62,957</b>	62,212

These financial statements were approved by the Board of Directors and authorised for issue on 26 June 2013.  
They were signed on its behalf by:

**P W Totté**  
Chairman

**M J McDonough**  
Director

The Notes on pages 39 to 70 form part of these financial statements.

# Consolidated Cash Flow Statement

12 months ended 31 March 2013

	12 months ended 31 March 2013 £'000s	15 months ended 31 March 2012 £'000s
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Adjusted for:</b>		
Profit before taxation	6,260	4,360
Finance costs	1,560	1,896
Finance income	—	—
Other finance income	(84)	(242)
Depreciation of property, plant and equipment	1,992	2,449
Amortisation of intangibles	233	172
<b>Operating Cash Flow</b>	<b>9,961</b>	<b>8,635</b>
Decrease/(Increase) in inventories	2,343	(7,834)
(Increase) in receivables	(5,769)	(70)
Pension contributions	(187)	(177)
Increase in payables	1,220	221
<b>Cash generated from operations</b>	<b>7,568</b>	<b>775</b>
Income taxes paid	(1,019)	(932)
Interest paid	(1,560)	(1,896)
<b>Net cash from operating activities</b>	<b>4,989</b>	<b>(2,053)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of property, plant and equipment	32	—
Shares issued in period	2,459	4
Purchase of intangible assets	(1,124)	(68)
Purchase of property, plant and equipment	(2,652)	(3,903)
<b>Net cash used in investing activities</b>	<b>(1,285)</b>	<b>(3,967)</b>
<b>CASH FLOW USED IN FINANCING ACTIVITIES</b>		
Additional/(Repayment of) borrowings	956	5,540
Repayment of obligations under finance leases	(32)	(201)
<b>Net cash used in financing activities</b>	<b>924</b>	<b>5,339</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>4,628</b>	<b>(681)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of period	2,506	3,187
Net movement in cash and cash equivalents	4,628	(681)
<b>Cash and cash equivalents at end of period</b>	<b>7,134</b>	<b>2,506</b>
<b>Cash and cash equivalents comprise:</b>		
Cash	7,134	2,506
Overdrafts	—	—
	<b>7,134</b>	<b>2,506</b>

The Notes on pages 39 to 70 form part of these financial statements.

# Company Cash Flow Statement

12 months ended 31 March 2013

	12 months ended 31 March 2013 £'000s	15 months ended 31 March 2012 £'000s
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
<b>Adjusted for:</b>		
Loss before taxation	(2,377)	(4,746)
Finance costs	246	434
Finance income	—	—
Depreciation of property, plant and equipment	10	712
Amortisation of intangibles	—	18
<b>Operating Cash Flow</b>	<b>(2,121)</b>	<b>(3,582)</b>
Decrease/(Increase) in inventories	—	99
(Increase)/Decrease in receivables	(3,421)	(827)
Increase/(Decrease) in payables	1,257	8,550
<b>Cash generated from operations</b>	<b>(4,285)</b>	<b>4,240</b>
Income taxes recovered/(paid)	—	—
Interest paid	(246)	(434)
<b>Net Cash from operating activities</b>	<b>(4,531)</b>	<b>3,806</b>
<b>Cash flow from Investing activities</b>		
Investment	(55)	—
Shares issued in period	2,459	4
Purchase of intangibles	—	(24)
Purchase of property, plant and equipment	(23)	(2,350)
<b>Net cash used in investing activities</b>	<b>2,381</b>	<b>(2,370)</b>
<b>CASH FLOW USED IN FINANCING ACTIVITIES</b>		
Additional/(Repayment) of borrowings	2,087	(1,689)
Repayment of obligations under finance leases	—	(106)
<b>Net cash used in financing activities</b>	<b>2,087</b>	<b>(1,795)</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(63)</b>	<b>(359)</b>
<b>CASH AND CASH EQUIVALENTS</b>		
Cash and cash equivalents at beginning of period	121	480
Net movement in cash and cash equivalents	(63)	(359)
<b>Cash and cash equivalents at end of period</b>	<b>58</b>	<b>121</b>
<b>Cash and cash equivalents comprise:</b>		
Cash	58	121
Overdrafts	—	—
	<b>58</b>	<b>121</b>

The Notes on pages 39 to 70 form part of these financial statements.

# Notes to the Financial Statements

12 months ended 31 March 2013

## 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 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:

IAS 1	(Amendment) – “Presentation of items of other comprehensive income” effective July 2012
IAS 19	(Amendment) – “Employee Benefits” – effective January 2013
IAS 27	“Separate Financial Statements” – effective January 2013
IAS 28	“Investments in Associates and Joint Ventures” – effective January 2013
IFRS 7 and IAS 32	(Amendment) – “Financial Instrument presentation” – effective January 2014
IAS 36	(Amendment) – “Impairment of assets” – effective January 2014
IFIC 20	“Stripping costs in the production of a surface mine” – effective January 2013
IFRS 1	(Amendment) – Government loans – effective January 2013
IFRIC 21	“Levies” – effective January 2014
Investment entities	(Amendments to IFRS 10, IFRS 12 and IAS 27) – effective January 2014
IFRS 10	“Consolidated Financial Statements” – effective January 2013
IFRS 12	“Disclosure of Interests in Other Entities” – effective January 2013
IFRS 13	“Fair Value Measurement” – effective January 2013
IFRS 9	“Financial Instruments” – effective 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.

## 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 22 to 27. 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.

# Notes to the Financial Statements continued

12 months ended 31 March 2013

## 2. Significant accounting policies (continued)

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

### b) Basis of consolidation

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

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement. The loss for the financial period, of the holding company, as approved by the Board, was £1,728k (2012 – £3,479k).

### 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.

### 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.

## 2. Significant accounting policies (continued)

### g) Pension costs

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

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

### h) Property, plant and equipment

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

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

Freehold buildings	2% – 2.5%
Short term leasehold buildings	Length of lease
Plant and equipment	7.5% – 50%
Motor vehicles	25%
Fixtures and fittings	7.5% – 25%
Computer equipment	25%

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

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

### i) Intangible assets

Intangible assets consist of computer software and a customer list 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 four years (2012 – three 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.

# Notes to the Financial Statements continued

12 months ended 31 March 2013

## 2. Significant accounting policies (continued)

### 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.

### n) Cash and cash equivalents

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

### o) Trade receivables

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

### p) Trade payables

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

### q) Bank borrowings

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

### r) Foreign currencies

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

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

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

### 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 restriction, 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.

### 3. Critical accounting estimates and judgements (continued)

#### 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.

#### 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 3.7%. Changes to the discount rate of 0.5% would result in a change in the scheme liabilities of 7.6% and a 0.5% movement in the rate of inflation would change the liabilities of the scheme by 2.3%.

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

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

#### 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) Rebates

The Group accrues for rebates when their receipt is virtually certain. Although rebate accruals are reviewed on a regular basis and adjusted for management's best current estimates, the judgemental nature of these items means that future amounts received may be different from those accrued.

# Notes to the Financial Statements continued

12 months ended 31 March 2013

## 3. Critical accounting estimates and judgements (continued)

### e) Significant items

In determining whether an item should be classified as a significant item the Board reviews the expenditure in question and assesses whether the expenditure meets the definition of a significant item as defined in the Group's accounting policy (note 2). 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:

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

## 5. Segment reporting

### Business segments

The divisional structure 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.

<b>12 months ended 31 March 2013</b>	Napier £'000s	Garrett £'000s	Renshaw £'000s	R&W Scott £'000s	Haydens £'000s	Continuing Operations Total £'000s	Significant items £'000s	Total Group £'000s
Total Revenue	167,754	31,947	41,113	10,968	25,337	277,119	—	277,119
Revenue – Internal	(10,598)	(687)	(80)	—	—	(11,365)	—	(11,365)
<b>External Revenue</b>	<b>157,156</b>	<b>31,260</b>	<b>41,033</b>	<b>10,968</b>	<b>25,337</b>	<b>265,754</b>	<b>—</b>	<b>265,754</b>
<b>Operating Profit</b>	<b>4,353</b>	<b>2,151</b>	<b>4,125</b>	<b>166</b>	<b>(417)</b>	<b>10,378</b>	<b>(505)</b>	<b>9,873</b>
Head Office and consolidation adjustments	—	—	—	—	—	(2,137)	—	(2,137)
Net Finance Costs	—	—	—	—	—	(1,560)	—	(1,560)
Pension Finance Income	—	—	—	—	—	84	—	84
<b>Profit/(loss) before tax</b>	<b>4,353</b>	<b>2,151</b>	<b>4,125</b>	<b>166</b>	<b>(417)</b>	<b>6,765</b>	<b>(505)</b>	<b>6,260</b>
Tax	(936)	(462)	(887)	(36)	90	(2,231)	—	(2,231)
Unallocated Tax	—	—	—	—	—	764	121	885
<b>Profit/(loss) after tax as per comprehensive statement of income</b>	<b>3,417</b>	<b>1,689</b>	<b>3,238</b>	<b>130</b>	<b>(327)</b>	<b>5,298</b>	<b>(384)</b>	<b>4,914</b>

Sales between segments are charged at prevailing market rates.

There are no customers that contributed more than 10% of the Group's external sales from continuing operations for the year ended 31 March 2013.

## 5. Segment reporting (continued)

	Napier £'000s	Garrett £'000s	Renshaw £'000s	R&W Scott £'000s	Haydens £'000s	Unallocated £'000s	Total Group £'000s
<b>31 March 2013</b>							
<b>Segment assets</b>	<b>30,853</b>	<b>5,717</b>	<b>16,877</b>	<b>7,210</b>	<b>9,780</b>	<b>—</b>	<b>70,437</b>
<b>Unallocated assets</b>							
Goodwill							75,796
Other intangible assets							—
Property, plant and equipment							28
Deferred tax assets							1,385
Trade and other receivables							245
Cash and cash equivalents							771
<b>Total assets</b>							<b>148,662</b>
<b>Segment liabilities</b>	<b>(27,326)</b>	<b>(4,319)</b>	<b>(8,807)</b>	<b>(2,277)</b>	<b>(4,865)</b>	<b>—</b>	<b>(47,594)</b>
<b>Unallocated liabilities</b>							
Trade and other payables							(341)
Borrowings							(10,877)
Current tax liabilities							1,154
Deferred tax liabilities							(2,899)
<b>Total liabilities</b>							<b>(60,557)</b>
<b>Net operating assets</b>	<b>3,527</b>	<b>1,398</b>	<b>8,070</b>	<b>4,933</b>	<b>4,915</b>	<b>—</b>	<b>88,105</b>
Non-current asset additions	696	—	1,205	88	1764	23	3,776
Depreciation	307	—	728	258	699	—	1,992
Amortisation	82	—	82	—	59	10	233

**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 4.6% of the total revenue of the Group, segmental reporting of a geographical nature is not considered relevant.

# Notes to the Financial Statements continued

12 months ended 31 March 2013

## 5. Segment reporting (continued)

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)
<b>External Revenue</b>	<b>176,885</b>	<b>38,181</b>	<b>46,368</b>	<b>14,437</b>	<b>29,658</b>	<b>305,529</b>	<b>—</b>	<b>305,529</b>
<b>Operating Profit</b>	<b>3,703</b>	<b>3,231</b>	<b>4,908</b>	<b>(1,338)</b>	<b>(1,333)</b>	<b>9,171</b>	<b>(550)</b>	<b>8,621</b>
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
<b>Profit/(loss) before tax</b>	<b>2,760</b>	<b>3,036</b>	<b>4,413</b>	<b>(1,480)</b>	<b>(1,454)</b>	<b>4,910</b>	<b>(550)</b>	<b>4,360</b>
Tax	(476)	(523)	(761)	255	251	(1,254)	—	(1,254)
Unallocated Tax	—	—	—	—	—	395	113	508
<b>Profit/(loss) after tax as per comprehensive statement of income</b>	<b>2,284</b>	<b>2,513</b>	<b>3,652</b>	<b>(1,225)</b>	<b>(1,203)</b>	<b>4,051</b>	<b>(437)</b>	<b>3,614</b>

Inter-segment sales are charged at prevailing market rates.

31 March 2012	Napier £'000s	Garrett £'000s	Renshaw £'000s	R&W Scott £'000s	Haydens £'000s	Unallocated £'000s	Total Group £'000s
<b>Segment assets</b>	<b>27,122</b>	<b>4,646</b>	<b>15,694</b>	<b>6,752</b>	<b>7,288</b>	<b>—</b>	<b>61,502</b>
<b>Unallocated assets</b>							
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
<b>Total assets</b>							<b>138,616</b>
<b>Segment liabilities</b>	<b>(26,699)</b>	<b>(4,739)</b>	<b>(8,710)</b>	<b>(1,503)</b>	<b>(3,247)</b>	<b>—</b>	<b>(44,898)</b>
<b>Unallocated liabilities</b>							
Borrowings							(8,808)
Current tax liabilities							318
Deferred tax liabilities							(2,392)
<b>Total liabilities</b>							<b>(55,780)</b>
<b>Net operating assets</b>	<b>423</b>	<b>(93)</b>	<b>6,984</b>	<b>5,249</b>	<b>4,041</b>		<b>82,836</b>
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

## 5. Segment reporting (continued)

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

## 6. Significant items

	<b>12 months ended 31 March 2013 £'000s</b>	15 months ended 31 March 2012 £'000s
Management restructuring costs	<b>(395)</b>	(429)
Group refinancing/restructuring costs	<b>(110)</b>	(121)
	<b>(505)</b>	(550)
Taxation credit on significant items	<b>121</b>	113
	<b>(384)</b>	(437)

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. Refinancing costs relate to "break costs" associated with the refinancing exercise we completed with PNC, our existing provider in December. The Group restructuring costs in the prior year relate to liquidation of dormant subsidiaries necessary to simplify the Group structure.

## 7. Auditor's remuneration

	<b>12 months ended 31 March 2013 £'000s</b>	15 months ended 31 March 2012 £'000s
<b>Fees payable to the Company's auditor for the audit of the Company's annual accounts</b>	<b>29</b>	45
<b>Fees payable to the Company's auditor for other services</b>		
The audit of the Company's subsidiaries pursuant to legislation	<b>126</b>	120
Tax compliance services	<b>25</b>	22
Tax advisory services	<b>16</b>	39
Other assurance services	<b>21</b>	58
	<b>188</b>	239

# Notes to the Financial Statements continued

12 months ended 31 March 2013

## 8. Operating profit

	Notes	12 months ended 31 March 2013 £'000s	15 months ended 31 March 2012 £'000s
External sales		<b>265,754</b>	305,529
Staff costs	13	<b>27,454</b>	33,339
Inventories:			
— cost of inventories as an expense (included in cost of sales)		<b>202,770</b>	238,638
— fair value loss on derivatives held for trading (included in cost of sales)		<b>—</b>	—
Depreciation of property, plant and equipment	18	<b>1,992</b>	2,449
Amortisation of intangible assets	17	<b>233</b>	172
Significant items	6	<b>505</b>	550
Minimum operating lease payment:			
— land and buildings	28	<b>581</b>	699
— other assets	28	<b>562</b>	711
Research and development expenditure		<b>922</b>	807
Impairment of trade receivables	22	<b>(2)</b>	96
Foreign exchange gains		<b>151</b>	(49)
Other net operating expenses		<b>22,850</b>	22,103
Total		<b>258,018</b>	299,515
Operating profit from continuing operations		<b>7,736</b>	6,014

## 9. Finance income

There was no finance income in the period (2012 – £nil).

## 10. Finance costs

	12 months ended 31 March 2013 £'000s	15 months ended 31 March 2012 £'000s
Interest on bank loans and overdrafts	<b>1,560</b>	1,896
Interest on obligations under finance leases	<b>—</b>	—
	<b>1,560</b>	1,896

## 11. Other finance income

	12 months ended 31 March 2013 £'000s	15 months ended 31 March 2012 £'000s
Interest on pension scheme liabilities	<b>(816)</b>	(1,132)
Expected return on pension scheme assets	<b>900</b>	1,374
	<b>84</b>	242

## 12. Directors' remuneration

	12 months ended 31 March 2013 £'000s	15 months ended 31 March 2012 £'000s
Fees	260	268
Executive salaries and benefits	630	698
Share-based payments	17	22
	<b>907</b>	988

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

	Short term Employee Benefits* £'000s	Share-based payments £'000s	Post Employment Benefits £'000s	12 months ended 31 March 2013 £'000s	15 months ended 31 March 2012 £'000s
M J McDonough	212	3	—	215	259
P W Totté	418	14	—	432	461
P G Ridgwell	85	—	—	85	96
P C Salter	135	—	—	135	133
C O Thomas	40	—	—	40	39
J M d'Unienville	—	—	—	—	—
	890	17	—	907	988

\* Short term Employee Benefits include Salaries received as an officer of the Company. Separate to these payments, consultancy fees are paid to entities in which Directors hold a beneficial interest. These payments are disclosed as related party transactions in note 29.

Key management personnel are considered to be the Company Directors.

## Directors' interests in share options:

	Option Type	Date of Grant	Number of options at 31 March 2013	Number of options at 31 March 2012	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	3,817,725	25.0p	April 2011	Mar 2021
P G 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
	Unapproved 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

# Notes to the Financial Statements continued

12 months ended 31 March 2013

## 12. Directors' remuneration (continued)

No new options were granted to Directors during the period (2012 – 3,817,725). 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 2013 was 41.25p and the range during the period was 36.50p to 57.25p. During the period retirement benefits were accruing to one (2012 – one) 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:

	<b>12 months ended 31 March 2013 £'000s</b>	15 months ended 31 March 2012 £'000s
Production	<b>752</b>	692
Selling and distribution	<b>110</b>	100
Directors and administrative	<b>117</b>	107
	<b>979</b>	899

The aggregate payroll costs were as follows:

	<b>12 months ended 31 March 2013 £'000s</b>	15 months ended 31 March 2012 £'000s
Wages, salaries and fees	<b>23,913</b>	29,623
Social security costs	<b>2,289</b>	2,664
Other pension costs	<b>1,224</b>	1,020
Cost of options issued to staff (see note 27)	<b>28</b>	32
	<b>27,454</b>	33,339

## 14. Taxation

	<b>12 months ended 31 March 2013 £'000s</b>	15 months ended 31 March 2012 £'000s
<b>Current tax</b>		
UK Current tax on profit of the period	<b>1,404</b>	1,102
UK Current tax on significant items	<b>(121)</b>	(113)
Adjustments in respect of prior years	<b>(59)</b>	(98)
<b>Total current tax</b>	<b>1,224</b>	891
<b>Deferred tax</b>		
Deferred tax charge re pension scheme	<b>58</b>	101
Origination and reversal of timing differences	<b>114</b>	36
Adjustments in respect of prior years	<b>49</b>	45
Adjustment in respect of change in deferred tax rate	<b>(99)</b>	(327)
<b>Total deferred tax</b>	<b>122</b>	(145)
<b>Tax on profit on ordinary activities</b>	<b>1,346</b>	746

**14. Taxation (continued)****Factors affecting tax charge for the period:**

The tax assessed for the period is lower (2012 – lower) than the standard rate of corporation tax in the UK 24% (2012 – 26.39%).

The differences are explained below:

	<b>12 months ended 31 March 2013 £'000s</b>	<b>15 months ended 31 March 2012 £'000s</b>
<b>Tax reconciliation</b>		
<b>Profit per accounts before taxation</b>	<b>6,260</b>	4,360
Tax on profit on ordinary activities at standard CT rate of 24% (2012 – 26.39%)	<b>1,502</b>	1,150
Expenses not deductible for tax purposes	<b>16</b>	48
Additional deduction for R&D expenditure	<b>(18)</b>	(64)
Share option relief	<b>(39)</b>	—
Temporary difference movements at lower tax rate	<b>—</b>	(9)
Adjustment in respect of change in deferred tax rate	<b>(102)</b>	(327)
Adjustments to tax in respect of prior years	<b>(13)</b>	(52)
<b>Tax charge for the period</b>	<b>1,346</b>	746

**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.

	<b>12 months ended 31 March 2013 £'000s Continuing operations</b>	<b>15 months ended 31 March 2012 £'000s Continuing operations</b>
Earnings after tax attributable to ordinary shareholders (£000's)	<b>4,914</b>	3,614
Weighted average number of shares in issue (000's)	<b>68,405</b>	65,017
<b>Basic earnings per share</b>	<b>7.2p</b>	5.6p

**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.

	<b>12 months ended 31 March 2013 £'000s Continuing operations</b>	<b>15 months ended 31 March 2012 £'000s Continuing operations</b>
Earnings after tax attributable to ordinary shareholders (£'000s)	<b>4,914</b>	3,614
Total potential weighted average number of shares in issue (000's)	<b>74,111</b>	71,385
<b>Diluted earnings per share</b>	<b>6.6p</b>	5.1p

# Notes to the Financial Statements continued

12 months ended 31 March 2013

## 15. Earnings per share (continued)

### 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.

	<b>12 months ended 31 March 2013 £'000s Continuing operations</b>	15 months ended 31 March 2012 £'000s Continuing operations
Earnings after tax attributable to ordinary shareholders (£'000s)	<b>4,914</b>	3,614
Add back significant items (note 6)	<b>505</b>	550
Add back tax on significant items	<b>(121)</b>	(113)
<b>Adjusted earnings after tax attributable to ordinary shareholders (£'000s)</b>	<b>5,298</b>	4,051
Weighted average number of shares in issue (000's)	<b>68,405</b>	65,017
<b>Basic earnings per share</b>	<b>7.8p</b>	6.2p
Total potential weighted average number of shares in issue (000's)	<b>74,111</b>	71,385
<b>Basic diluted earnings per share</b>	<b>7.2p</b>	5.7p

## 16. Goodwill

	Group £'000s
<b>Cost</b>	
Carried forward 31 March 2012	<b>75,796</b>
Carried forward 31 March 2013	<b>75,796</b>

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:

	<b>31 March 2013 £'000s</b>	31 March 2012 £'000s
Sugar and Bakery Ingredients divisions*	<b>75,796</b>	75,796
Carried forward 31 March 2013	<b>75,796</b>	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.

## 16. Goodwill (continued)

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

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

The rate used to discount the forecast cash flows is the Group's pre-tax weighted average cost of capital of 4.88% (2012 – 7.19%). 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 £75.8 million. Actual results were 37% 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 14.7% (2012 – 17.11%) would cause the Board to impair the carrying value of goodwill.

## 17. Other intangible assets

	Group £'000s	Company £'000s
<b>Cost</b>		
At 1 April 2012	1,759	237
Hive down	—	(233)
Additions	1,124	—
At 31 March 2013	2,883	4
<b>Amortisation</b>		
At 1 April 2012	1,238	215
Hive down	—	(211)
Charge	233	—
At 31 March 2013	1,471	4
<b>Net book value at 31 March 2013</b>	<b>1,412</b>	<b>—</b>
<b>Cost</b>		
At 1 January 2011	1,691	214
Additions	68	23
At 31 March 2012	1,759	237
<b>Amortisation</b>		
At 1 January 2011	1,066	197
Charge	172	18
At 31 March 2012	1,238	215
<b>Net book value at 31 March 2012</b>	<b>521</b>	<b>22</b>

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

Within the consolidated position £50k relates to a purchased customer list and the balance relates to computer software.

# Notes to the Financial Statements continued

12 months ended 31 March 2013

## 18. Property, plant and equipment

### Group

	Land and Buildings £'000s	Plant and Equipment £'000s	Assets in the course of construction £'000s	Total £'000s
<b>Cost</b>				
At 1 April 2012	10,594	25,299	454	36,347
Additions	349	1,649	654	2,652
Disposals	—	(180)	—	(180)
Reclassifications	—	454	(454)	—
At 31 March 2013	10,943	27,222	654	38,819
<b>Depreciation</b>				
At 1 April 2012	2,971	16,319	—	19,290
Disposals	—	(148)	—	(148)
Charge	298	1,694	—	1,992
At 31 March 2013	3,269	17,865	—	21,134
<b>Net book value at 31 March 2013</b>	<b>7,674</b>	<b>9,357</b>	<b>654</b>	<b>17,685</b>
<b>Cost</b>				
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
<b>Depreciation</b>				
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
<b>Net book value at 31 March 2012</b>	<b>7,623</b>	<b>8,980</b>	<b>454</b>	<b>17,057</b>

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

	<b>31 March 2013 £'000s</b>	31 March 2012 £'000s
Plant and equipment	—	195

£17.0 million (2012 – £16.6 million) of property, plant and equipment have been pledged as security for borrowings, see note 23.

## 18. Property, plant and equipment (continued)

## Company

	Land and Buildings £'000s	Plant and Equipment £'000s	Assets in the course of construction £'000s	Total £'000s
<b>Cost</b>				
At 1 April 2012	3,074	8,204	454	11,732
Additions	—	23	—	23
Hive down	(3,074)	(8,107)	(454)	(11,635)
At 31 March 2013	—	120	—	120
<b>Depreciation</b>				
At 1 April 2012	1,687	5,435	—	7,122
Charge	—	10	—	10
Hive down	(1,687)	(5,366)	—	(7,053)
At 31 March 2013	—	79	—	79
<b>Net book value at 31 March 2013</b>	<b>—</b>	<b>41</b>	<b>—</b>	<b>41</b>
<b>Cost</b>				
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
<b>Depreciation</b>				
At 1 January 2011	1,569	4,833	—	6,402
Charge	118	602	—	720
At 31 March 2012	1,687	5,435	—	7,122
<b>Net book value at 31 March 2012</b>	<b>1,387</b>	<b>2,769</b>	<b>454</b>	<b>4,610</b>

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

	<b>31 March 2013 £'000s</b>	31 March 2012 £'000s
Plant and equipment	—	195

# Notes to the Financial Statements continued

12 months ended 31 March 2013

## 19. Investments

### Company

Investments in shares of subsidiary undertakings:

	Napier Brown Foods Limited £'000s	FSF Dormant Limited/ TD Dormant Limited £'000s	Haydens Bakeries Limited £'000s	Eurofoods plc/ Coolfresh Limited £'000s	Real Good Food Europe Nv £'000s	Total
At 1 April 2012	53,900	610	1,248	79	—	55,837
<b>At 31 March 2013</b>	<b>53,900</b>	<b>610</b>	<b>1,248</b>	<b>79</b>	<b>55</b>	<b>55,892</b>

The aggregate of the share capital and reserves at 31 March 2013 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 Limited	38,314	(87)
Renshaw Napier Limited	44,987	4,911
Haydens Bakery Limited	(717)	(717)

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%
Haydens Bakery Limited*	Cake and Dessert Supplier	1 Ordinary £1	100%
Real Good Food Europe NV	Sugar & Ingredient Supplier	61,500 Ordinary €1	100%

\* 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:

	<b>2013 Group £'000s</b>	<b>2013 Company £'000s</b>	2012 Group £'000s	2012 Company £'000s
Opening position	<b>1,974</b>	<b>(415)</b>	2,814	(85)
Transfer on hive down	<b>—</b>	<b>5</b>	—	—
Income statement charge	<b>122</b>	<b>—</b>	(145)	5
Charge to equity/(credit)	<b>(582)</b>	<b>31</b>	(695)	(335)
Closing position	<b>1,514</b>	<b>(379)</b>	1,974	(415)

**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 31 March 2012	(196)	(421)	(36)	(259)	(912)
Charge/(credit) to income:					
— re current period	8	7	36	62	113
— re prior years	—	—	—	(4)	(4)
(Credit) to equity	—	31	—	(613)	(582)
<b>At 31 March 2013</b>	<b>(188)</b>	<b>(383)</b>	<b>—</b>	<b>(814)</b>	<b>(1,385)</b>
<b>Within 12 months</b>	<b>(188)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>(188)</b>
<b>Greater than 12 months</b>	<b>—</b>	<b>(383)</b>	<b>—</b>	<b>(814)</b>	<b>(1,197)</b>

**Deferred tax provisions**

	Intangible assets £'000s	Derived financial assets £'000s	Tangible assets £'000s	Total £'000s
At 31 March 2012	878	—	2,008	2,886
Charged to income:				
— current period	75	—	(96)	(21)
— prior years	—	—	34	34
<b>At 31 March 2013</b>	<b>953</b>	<b>—</b>	<b>1,946</b>	<b>2,899</b>

# Notes to the Financial Statements continued

12 months ended 31 March 2013

## 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 31 March 2012	(196)	(421)	(22)	(639)
Transfer on hive down	196	—	22	218
Charge/(credit) to income:				
— current period	—	7	—	7
— prior years	—	—	—	—
— Charge/(credit) to equity	—	31	—	31
<b>At 31 March 2013</b>	<b>—</b>	<b>(383)</b>	<b>—</b>	<b>(383)</b>
<b>Within 12 months</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Greater than 12 months</b>	<b>—</b>	<b>(383)</b>	<b>—</b>	<b>(383)</b>

#### Deferred tax provisions

	Tangible assets £'000s
At 31 March 2012	224
Transfer on hive down	(213)
Charge/(credit) to income:	
— current period	(1)
— prior years	(6)
<b>At 31 March 2013</b>	<b>4</b>

#### Analysis of deferred tax losses

	2013 £'000s	2012 £'000s
Deferred tax asset to be recovered after more than 12 months	(383)	552
Deferred tax asset to be recovered within 12 months	—	87
	<b>(383)</b>	<b>639</b>

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 2013 Group £'000s	31 March 2013 Company £'000s	31 March 2012 Group £'000s	31 March 2012 Company £'000s
Materials	4,487	—	5,096	613
Work in progress	596	—	612	4
Finished goods	9,954	—	11,672	40
	15,037	—	17,380	657

Inventories totalling £15,037k (2012 – £17,380k) 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, £5.6 million (2012 – £6.7 million) of finished goods and certain raw materials have been pledged as security for borrowings, see note 23.

## 22. Trade and other receivables

	31 March 2013 Group £'000s	31 March 2013 Company £'000s	31 March 2012 Group £'000s	31 March 2012 Company £'000s
<b>Non-current trade and other receivables</b>				
Amounts owed by Group undertakings	—	43,839	—	40,333
<b>Current trade and other receivables</b>				
Trade receivables	25,125	—	21,428	1,703
Less: provision for impairment of receivables	(105)	—	(115)	(57)
Net trade receivables	25,020	—	21,313	1,646
Other receivables	3,120	—	582	141
Amounts owed by Group undertakings	—	190	—	—
Prepayments	2,073	190	2,549	484
	30,213	190	24,444	2,271

## Provision for impairment of receivables

	31 March 2013 Group £'000s	31 March 2013 Company £'000s	31 March 2012 Group £'000s	31 March 2012 Company £'000s
At 31 March 2012	(115)	(57)	(136)	—
Charge for period	2	—	(96)	(57)
Transfer on hive down	—	57	—	—
Uncollectable amounts written off	8	—	117	—
<b>At 31 March 2013</b>	<b>(105)</b>	<b>—</b>	<b>(115)</b>	<b>(57)</b>

# Notes to the Financial Statements continued

12 months ended 31 March 2013

## 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 £22.5 million of the Group's trade receivables, the remaining amount of £2.6 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 credit of £2k (2012 – loss £96k) 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 £4.1 million were past due but not impaired, a continuing improvement overall on the prior year levels driven by a tighter credit control programme. The ageing analysis of these receivables is as follows:

	<b>31 March 2013 Group £'000s</b>	<b>31 March 2013 Company £'000s</b>	31 March 2012 Group £'000s	31 March 2012 Company £'000s
Up to 30 days past due	<b>3,804</b>	—	3,434	66
1–3 months past due	<b>119</b>	—	622	50
Over 3 months past due	<b>145</b>	—	427	114
	<b>4,068</b>	—	4,483	230

## 23. Borrowings and capital management

	<b>31 March 2013 Group £'000s</b>	<b>31 March 2013 Company £'000s</b>	31 March 2012 Group £'000s	31 March 2012 Company £'000s
Unsecured borrowings at amortised cost				
Loan notes	<b>2,774</b>	—	2,774	—
Secured borrowings at amortised cost				
Bank term loans	<b>8,103</b>	<b>8,103</b>	6,016	6,016
Revolving credit facilities	<b>21,209</b>	—	22,340	1,135
Hire purchase	—	—	32	32
	<b>32,086</b>	<b>8,103</b>	31,162	7,183
Amounts due for settlement within 12 months	<b>23,032</b>	<b>1,823</b>	24,366	3,161
Amounts due for settlement after 12 months	<b>9,054</b>	<b>6,280</b>	6,796	4,022
	<b>32,086</b>	<b>8,103</b>	31,162	7,183

## 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 facilities with PNC Business Credit were renewed in December 2012 for a period of five years.

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 £29,241 and then a bullet repayment of £1,696,000 in December 2017. At the year end £3.3 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 £41,710 until December 2017. At the year end £2.3 million was outstanding under this loan. Our final term loan currently bears interest at 3.5% above base rate and is repayable via monthly instalments of £85,520 up to December 2017. At the year end £2.7 million was outstanding under this facility.

The Group's revolving credit facilities, which are available until December 2017, 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 £23 million. The inventory finance facility currently bears interest at 2.95% above base rate and at the period end £5.6 million was outstanding under this facility which has a maximum borrowing limit of £11 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 0% (2012 – 6.0%) and the weighted average period for which the interest rates are fixed was nil months (2012 – six months).

The Group had outstanding loan notes amounting to £2,773,908 (2012 – £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. Agreement has been reached in principle that interest will be paid from April 2014 with all claims for interest prior to that date waived.

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 Lloyds TSB Plc 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 31 March 2013.

# Notes to the Financial Statements continued

12 months ended 31 March 2013

## 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:

	Less than 1 month £'000s	1-3 months £'000s	3 months to 1 year £'000s	1-5 years £'000s	5+ years £'000s	Total £'000s
<b>2013</b>						
Trade and other payables	14,976	6,306	—	—	—	21,282
Loan notes	—	—	—	2,774	—	2,774
Bank term loans	157	314	1,413	6,219	—	8,103
Revolving credit facilities	—	—	21,209	—	—	21,209
Finance leases	—	—	—	—	—	—
	<b>15,133</b>	<b>6,620</b>	<b>22,622</b>	<b>8,993</b>	<b>—</b>	<b>53,337</b>
	Less than 1 month £'000s	1-3 months £'000s	3 months to 1 year £'000s	1-5 years £'000s	5+ years £'000s	Total £'000s
<b>2012</b>						
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
	<b>9,547</b>	<b>11,157</b>	<b>23,744</b>	<b>6,796</b>	<b>—</b>	<b>51,244</b>

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 £1k. 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 £53k.

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 £130k.

**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 £293k.

**Obligation under finance leases**

	<b>12 months ended 31 March 2013 £'000s</b>	15 months ended 31 March 2012 £'000s
Finance lease liabilities – minimum lease payments		
Due within one year	—	32
Due within one to five years	—	—
	—	32
Future finance charges on finance leases	—	—
Present value of finance lease liabilities	—	32
The present value of finance lease liabilities is as follows:		
Due within one year	—	32
Due within one to five years	—	—
	—	32

It is the Group's policy to lease certain property, plant and equipment under finance leases. For the period ended 31 March 2013 the average effective borrowing rate was 0% (2012 – 6.0%). Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling.

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

**24. Trade and other payables**

	<b>31 March 2013 Group £'000s</b>	<b>31 March 2013 Company £'000s</b>	31 March 2012 Group £'000s	31 March 2012 Company £'000s
<b>Amounts due in more than one year</b>				
Amounts owed to Group undertakings	—	24,010	—	18,548
<b>Amounts due within one year</b>				
Trade payables	17,993	217	16,571	2,176
Social security	649	24	701	261
Amounts owed to Group undertakings	—	—	—	13,186
Accruals	2,308	72	2,339	603
Other payables	332	16	471	97
	<b>21,282</b>	<b>329</b>	20,082	16,323

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.

# Notes to the Financial Statements continued

12 months ended 31 March 2013

## 25. Share capital

	<b>Number of Shares 2013</b>	Number of Shares 2012	<b>12 months ended 31 March 2013 £'000s</b>	15 months ended 31 March 2012 £'000s
<b>Allotted, called up and fully paid equity share capital</b>				
At 31 March 2012	<b>65,019,348</b>	65,014,348	<b>1300</b>	1,300
Issued in the period*	<b>4,446,604</b>	5,000	<b>89</b>	—
<b>At 31 March 2013</b>	<b>69,465,952</b>	65,019,348	<b>1,389</b>	1,300

\* During the year 4,065,652 shares were issued as a placement of new shares in the market and 380,952 were issued as a result of an option holder exercising their options.

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

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

Warrants	2,240,663 shares with expiry date end of 2013
Options	9,637,922 shares with expiry dates beyond 2012 (see note 27)

## 26. Share premium and reserves

<b>Group</b>	Share premium account £'000s	Retained earnings £'000s	Share option reserve £'000s
Balance at 31 March 2012 excluding pension gains/(losses)	68,874	12,136	526
Retained profit for the year	—	4,914	—
<b>Balance at 31 March 2013 excluding pension gains/(losses)</b>	<b>68,874</b>	<b>17,050</b>	<b>526</b>
Shares issued in period	2,370	—	—
Shares to be issued (net of deferred tax)	—	—	14
Pension scheme losses	—	(2,118)	—
<b>Balance at 31 March 2013 including pension gains/(losses)</b>	<b>71,244</b>	<b>14,932</b>	<b>540</b>

<b>Company</b>	Share premium account £'000s	Retained earnings £'000s	Share option reserve £'000s
Balance at 31 March 2012	68,874	(8,488)	526
Retained loss for the year	—	(1,728)	—
Shares issued in period	2,370	—	—
Shares to be issued (net of deferred tax)	—	—	14
<b>Balance at 31 March 2013</b>	<b>71,244</b>	<b>(10,216)</b>	<b>540</b>

## 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:

	<b>12 months ended 31 March 2013 Number of share options</b>	<b>12 months ended 31 March 2013 Weighted Average Exercise Price (£)</b>	15 months ended 31 March 2012 Number of share options	15 months ended 31 March 2012 Weighted Average Exercise Price (£)
Outstanding at the beginning of the period	<b>10,058,873</b>	<b>0.18</b>	5,291,148	0.08
Granted during the year	<b>10,000</b>	<b>0.50</b>	4,767,725	0.29
Exercised during the year	<b>(380,952)</b>	<b>(0.05)</b>	—	—
Forfeited during the year	<b>(50,000)</b>	<b>(0.46)</b>	—	—
<b>Outstanding at the end of the period</b>	<b>9,637,921</b>	<b>0.18</b>	10,058,873	0.18
Exercisable at the end of the period	<b>4,114,283</b>	<b>0.05</b>	—	—

A breakdown of the range of exercise prices for options outstanding as at 31 March 2013 is shown in the table below:

	<b>Number outstanding at end of period</b>	<b>2013 Weighted average remaining contractual life (years)</b>	<b>Weighted average exercise price (pence)</b>	Number outstanding at end of period	2012 Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
£0.00 – £0.50	<b>9,637,921</b>	<b>1</b>	<b>18.49</b>	10,058,873	2	18.09

	<b>2013 £'000s</b>	2012 £'000s
IFRS 2 Fair value charge	<b>45</b>	38
Average share price	<b>47.0p</b>	49.3p

On 24 April 2012 380,952 share options were exercised when the Company's share price was 50p.

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 restriction, and behavioural considerations.

# Notes to the Financial Statements continued

12 months ended 31 March 2013

## 28. Commitments

### Operating lease arrangements

	12 months ended 31 March 2013 £'000s	15 months ended 31 March 2012 £'000s
Minimum lease payments under operating leases recognised as an expense in the period	1,143	1,410

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

	12 months ended 31 March 2013 £'000s	15 months ended 31 March 2012 £'000s
Due within one year	1,354	706
Due between one and five years	2,600	864
Due beyond five years	1,460	1,162

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

	2013 £'000s	2012 £'000s
Commitments for the acquisition of property, plant and equipment	2,647	309

## 29. Related party transactions

Consultancy fees were paid to the following entities in which Directors hold a beneficial interest:

Payee	Director	12 months ended 31 March 2013 £'000s	15 months ended 31 March 2012 £'000's
Menton Investments	P Totté	366	338
P G Ridgwell	P G Ridgwell	55	69
The Salter Consultancy LLP	P Salter	99	105
Chris Thomas Consultancy	C Thomas	20	19
		540	531

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. Agreement has been reached in principle that interest will be paid from April 2014 with all claims for interest prior to that date waived, thus accrued interest on the loan amounted to £nil (2012 – £nil) at 31 March 2013.

**29. Related party transactions (continued)**

Transactions between the Company and its subsidiaries are as follows:

**Trading transactions – purchase of goods**

	<b>12 months ended 31 March 2013 £'000s</b>	<b>15 months ended 31 March 2012 £'000s</b>
Renshaw Napier Limited	—	827

**Amounts due to**

	<b>12 months ended 31 March 2013 £'000s</b>	<b>15 months ended 31 March 2012 £'000s</b>
Renshaw Napier Limited	29,091	31,734
Napier Brown Foods Limited	—	—

Renshaw Napier 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**

	<b>12 months ended 31 March 2013 £'000s</b>	<b>15 months ended 31 March 2012 £'000s</b>
Renshaw Napier Limited	—	—
Haydens Bakery Limited	3,198	—
Napier Brown Foods Limited	40,641	40,333

**30. Hive out of Haydens division**

On the 1 April 2012 all of the trading assets and liabilities of the Haydens division that were previously included within the parent Company Statement of Financial Position were hived out at book values to create a new legal entity called Haydens Bakery Limited. In exchange a long term intercompany loan of £3,378,480 was provided. The Company holds the one ordinary share in the new entity and finance it via a long term intercompany loan position.

**31. Pensions arrangements**

The Group operates a defined benefit pension plan in the UK. A full actuarial valuation was carried out as at 1 April 2009 in accordance with the scheme funding requirements of the Pensions Act 2004 and the funding of the scheme is agreed between the Group and the trustees in line with those requirements. These in particular require the surplus/deficit to be calculated using prudent as opposed to best actuarial assumptions. The actuarial valuation showed a deficit of £5.3 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 2013. This has resulted in a deficit in the scheme of £3,540,000.

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.

# Notes to the Financial Statements continued

12 months ended 31 March 2013

## 31. Pensions arrangements (continued)

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

	<b>31 March 2013 £'000s</b>	31 March 2012 £'000s	31 December 2010 £'000s	31 December 2009 £'000s	31 December 2008 £'000s
Present value of defined benefit obligation	<b>19,153</b>	17,085	16,212	15,945	15,094
Fair value of plan assets	<b>(15,613)</b>	(16,005)	(16,308)	(15,363)	(14,830)
Deficit/(surplus) in plan	<b>3,540</b>	1,080	(96)	582	264
Amount not recognised in accordance with IAS 19 paragraph 58b	<b>—</b>	—	96	—	—
Gross amount recognised	<b>3,540</b>	1,080	—	582	264
Deferred tax at 23% (2012 – 24%)	<b>(814)</b>	(259)	—	(163)	(74)
Net liability	<b>2,726</b>	821	—	419	190

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

	<b>31 March 2013 £'000s</b>	31 March 2012 £'000s
Defined benefit obligation at start of period	<b>17,085</b>	16,212
Interest cost	<b>816</b>	1,132
Actuarial losses	<b>2,805</b>	611
Benefits paid, death in service insurance premiums and expenses	<b>(1,553)</b>	(870)
Defined benefit obligation at end of period	<b>19,153</b>	17,085

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

	<b>12 months ended 31 March 2013 £'000s</b>	15 months ended 31 March 2012 £'000s
Fair value of scheme assets at start of the period	<b>16,005</b>	16,308
Expected return on scheme assets	<b>900</b>	1,374
Actuarial (losses)/gains	<b>74</b>	(984)
Contributions paid by the Group	<b>187</b>	177
Benefits paid, death in service insurance premiums and expenses	<b>(1,553)</b>	(870)
Fair value of scheme assets at end of the period	<b>15,613</b>	16,005

The actual return on the scheme assets over the period ended 31 March 2013 was £974,000 (2012 – £390,000).

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

	<b>12 months ended 31 March 2013 £'000s</b>	15 months ended 31 March 2012 £'000s
Interest on liabilities	<b>816</b>	1,132
Expected return on scheme assets	<b>(900)</b>	(1,374)
Total income	<b>(84)</b>	(242)

**31. Pensions arrangements (continued)****Statement of recognised income and expenses**

	<b>31 March 2013 £'000s</b>	31 March 2012 £'000s
Difference between expected and actual return on scheme assets: gain/(loss)	<b>74</b>	(984)
Experience gains and losses arising on the scheme liabilities: loss	<b>(1,923)</b>	(46)
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities: (loss)	<b>(882)</b>	(565)
Reversal of the limit under IAS 19 paragraph 58b	<b>—</b>	96
Total amount recognised in Statement of Changes in Equity	<b>(2,731)</b>	(1,499)

**Assets**

	<b>31 March 2013 £'000s</b>	31 March 2012 £'000s	31 December 2010 £'000s	31 December 2009 £'000s
Equities	<b>8,224</b>	9,615	10,779	10,274
Bonds & Gilts	<b>4,641</b>	4,915	3,990	3,919
Property	<b>390</b>	434	408	449
Cash	<b>2,358</b>	1,041	1,131	721
Total assets	<b>15,613</b>	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.

**Assumptions**

	<b>31 March 2013 % per annum</b>	31 March 2012 % per annum	31 December 2010 % per annum	31 December 2009 % per annum
Inflation	<b>3.20</b>	2.90	3.10	3.10
Salary increases	<b>—</b>	—	—	—
Rate of discount	<b>4.70</b>	5.00	5.70	6.00
Allowance for pension in payment increases of RPI or 5% p.a. if less	<b>3.10</b>	2.80	3.10	3.10
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	<b>1.90</b>	1.90	3.10	3.10
Allowance for commutation of pension for cash at retirement	<b>75% of max allowance</b>	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 7.6%
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 3.7%

The mortality assumptions adopted at 31 March 2013 imply the following life expectancies:

Male retiring at age 65 in 2010	21.8 years
Female retiring at age 65 in 2010	24.0 years
Male retiring at age 65 in 2030	22.7 years
Female retiring at age 65 in 2030	25.2 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 outperformance.

# Notes to the Financial Statements continued

12 months ended 31 March 2013

## 31. 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:

	<b>31 March 2013</b>	31 March 2012	31 December 2010	31 December 2009
	<b>% per annum</b>	% per annum	% per annum	% per annum
Equities	<b>7.65</b>	7.55	7.50	6.90
Bonds	<b>4.10</b>	4.60	5.60	5.64
Property	<b>7.65</b>	7.55	6.50	5.90
Cash	<b>0.50</b>	0.50	4.20	3.50
Overall for scheme	<b>5.38</b>	5.87	6.83	6.29

	<b>31 March 2013</b>	31 March 2012	31 December 2010	31 December 2009	31 December 2008
	<b>£'000s</b>	£'000s	£'000s	£'000s	£'000s
Fair value of assets	<b>15,613</b>	16,005	16,308	15,363	14,830
Defined benefit obligation	<b>(19,153)</b>	(17,085)	(16,212)	(15,945)	(15,094)
Surplus/(deficit) in scheme	<b>(3,540)</b>	(1,080)	96	(582)	(264)
Experience adjustment on scheme assets	<b>74</b>	(984)	578	113	(3,937)
Experience adjustment on scheme liabilities	<b>(1,923)</b>	(46)	387	18	(114)

# Advisers

## Directors

P W Totté  
M J McDonough  
P G Ridgwell  
P C Salter  
C O Thomas  
J M d'Unienville

## Company Secretary

D P Newman

## Registered Office

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## Registered Number

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## Auditor

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## Solicitors

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