

The Real Good Food Company plc

Annual Report and Accounts

For the year ended 31 March 2014

Stock code: RGD

Real Good Food

A Recipe for Growth



Welcome to Real Good Food

A recipe for growth . . .

The Real Good Food Company plc (“the Group”) is a **diversified** food business, serving a number of market sectors including retail, manufacturing, wholesale, foodservice and **export**. The Group is a **major distributor** of sugar in the UK, and manufactures a **wide range** of baking ingredients, jams and sweet bakery products. Its portfolio of brands includes **Whitworths Sugar, Renshaw** and **R&W Scott**.

Investor Proposition

- › Real Good Food seeks to increase shareholder value by investing in the growth opportunities present in each of its businesses
- › Identifying and prioritising these opportunities, matching market trends with our operational expertise
- › Ensuring all the businesses are market-led
- › Supporting local management with implementation of their growth plans

Our new name

We are proposing to simplify our name to Real Good Food plc, a name that reflects both what we are known as and what we want to be famous for.



www.realgoodfoodplc.com

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Financial Highlights

- 2.6% growth in Group revenue
- Overall profits significantly affected by Sugar dispute
 - EBITDA at £3.3 million down from £10.5 million
- Underlying profit growth outside of Sugar*
 - EBITDA at £4.1 million up 13.9%
 - Operating Profit at £1.9 million up 10.2%

* Renshaw/Haydens/R&W Scott/Central costs (full)
- Strategic investments maintained
 - £4.3 million investment in Sugar Hub
 - £0.4 million investment in Real Good Food Europe commercial team



Read more information about our **Financial Review** on pages 26 to 28

Operational Highlights

- The results are overshadowed by the impact of the sugar supply dispute with British Sugar ("BS"). Further details are provided as an appendix to these accounts.
- Despite the BS dispute, Napier Brown has secured retail and wholesale contracts, driving Whitworths brand growth.
- Stallingborough Sugar Hub now operational, boosting Napier Brown's capability to handle imported sugar from all sources.
- Focus on establishing commercially led autonomous divisions gaining momentum.
- Renshaw sales and EBITDA up 4.7% and 10.4% respectively.
- Haydens sales up 7.6% and improved operational performance increased EBITDA by £0.6 million.
- Real Good Food Europe established in Brussels, offering better access to opportunities across the EU, initially for Renshaw and R&W Scott products.

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Icons to look out for:



Read more about



View content online



Watch more content online

Strategic Report

Group at a Glance

SIX BUSINESSES SIX GROWTH PLANS



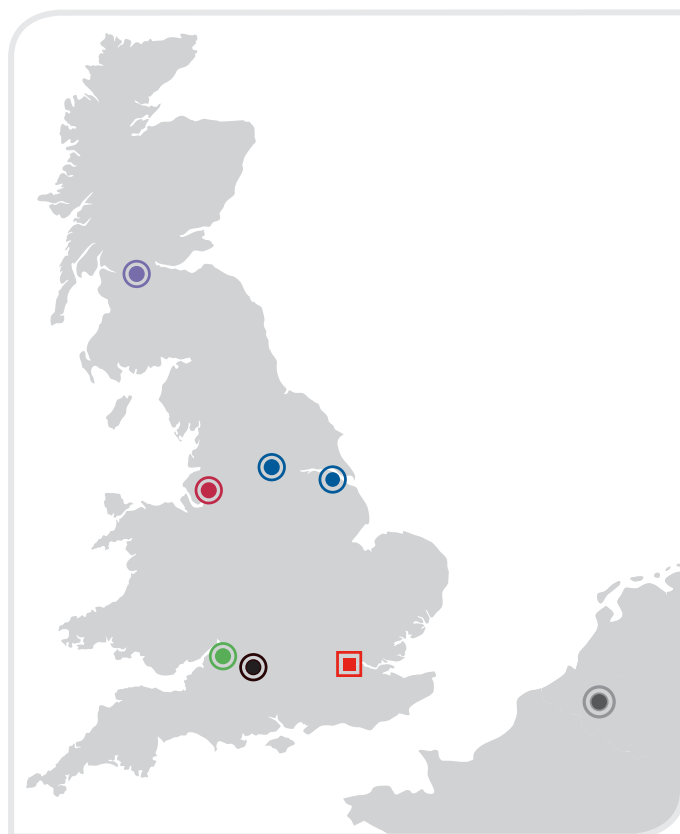
Real Good Food Europe was established as a new stand-alone sixth business in 2013 tasked with fast-tracking export sales of Real Good Food products across Europe.

Each business is managed by a dedicated local management team focused on delivering its growth plan.

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



Read more information about our **Strategy** on pages 7 to 9



Our Locations

- Napier Brown, Normanton, West Yorkshire
- Napier Brown Sugar Hub, Immingham
- Renshaw, Liverpool
- Real Good Food Europe, Brussels
- R&W Scott, Carluke, near Glasgow
- Garrett Ingredients, Thornbury, near Bristol
- Haydens Bakery, Devizes, Wiltshire
- Head Office, St Katharine's Way, London

Napier Brown

www.napierbrown.co.uk

Read the Divisional Review on page 12

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.

£162.3m

Divisional
Turnover

£(1.6)m

Divisional
EBITDA

200

Employees

Renshaw

www.renshawbaking.co.uk

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, mallows, 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.

£42.9m

Divisional
Turnover

£5.5m

Divisional
EBITDA

298

Employees

Real Good Food Europe

www.realgoodfoodeurope.com

Read the Divisional Review on page 16

Real Good Food Europe (RGFE) sells, markets and distributes products from Real Good Food UK companies across Europe. Initial focus will be on the Benelux, German, French, Spanish and Italian markets. The business operates from a sales office and a warehouse both located in Brussels.

Key Products and Brands

Most of RGFE's sales are currently of Renshaw produced products in particular icings. Opportunities have also been identified with R&W Scott and Whitworths.

£0.5m

Divisional
Turnover

£(0.4)m

Divisional
EBITDA

8

Employees

R&W Scott

www.randwscott.com

Read the Divisional Review on page 18

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.

£9.1m

Divisional
Turnover

£0.3m

Divisional
EBITDA

72

Employees

Garrett Ingredients

www.garrettingredients.co.uk

Read the Divisional Review on page 20

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.

£30.4m

Divisional
Turnover

£1.2m

Divisional
EBITDA

15

Employees

Haydens Bakery

www.haydens-bakeries.co.uk

Read the Divisional Review on page 22

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.

£27.3m

Divisional
Turnover

£0.9m

Divisional
EBITDA

394

Employees



Read more information about our **Financial Review** on pages 26 to 28

Strategic Report

Chairman's Statement

"The transformation of our operating companies into market-led businesses is central to us delivering our forward plans"



2013/14 Review

It would be easy to focus on the impact on our results caused by what we believe to be anti-competitive behaviour by British Sugar, but we have previously disclosed the background to this matter. (See appendix at the back of this report.) We strongly believe in our case and think that British Sugar's actions contravene the requirements of the regulatory authorities. Napier Brown has a proud history of bringing competition to the market and we are simply asking to continue to operate under a regulatory regime which has been successful for the past 25 years. Once we have some guidance from the Competition and Markets Authority ("CMA") we will respond accordingly but in the meantime I will focus on the remainder of the Group where we are pleased to report significant progress.

The reduction in Group EBITDA to £3.3 million hides significant progress in a number of the operating divisions. Renshaw's result was very encouraging as we are now beginning to see the results of the company rebranding exercise flow through into performance. Sales, margins and EBITDA all recorded significant YOY growth. The same was true at Haydens where it is clear that the new business model is beginning to deliver. R&W Scott is earlier in the process of becoming a fully stand-alone business but progress is encouraging. Garrett Ingredients' performance was clearly affected by the sugar dispute though the most significant development there was the creation of a new management structure and team. Real Good Food Europe (RGFE), which was effectively a start-up during 2013/14, gives us a platform for additional export sales growth.

Our Net Debt (after Cash) has increased by £6.2 million during the year largely driven by the planned increase in capital expenditure and the strategic investment in our Stallingborough Sugar Hub which is now operational. The negative impact on cash generation arising from the British Sugar dispute was largely offset by improved working capital management.

Forward Plans

Our detailed strategy in the sugar market will inevitably be affected by whatever conclusion the CMA comes to as regards our complaint. We are undertaking the necessary contingency planning but most of all are looking for clarity as soon as possible. We know that the Napier Brown business is viewed by customers within the UK as performing an important function in the market and we will build on this. We have appointed two new commercial roles to the board of Napier Brown with a Sales Director for Industrial and a Commercial Director for Retail.

Elsewhere, there are two related themes which are central to us delivering our forward plans: management structures and the transformation of our operating companies into stand-alone, market-led businesses.

"The Renshaw example is a model for what we are looking to achieve across all the businesses . . . a globally ambitious, market-facing, high added value commercial business"

The Renshaw example is a model for what we are looking to achieve across all the businesses. Two years' ago we embarked on a rebranding of the company which acted as a catalyst for a transformation of its vision and strategy into the globally ambitious, market-facing, high added value commercial business which we see today. The "Renshaw" brand is both renowned and respected by its customers as a leader in its categories. The new management team has been in place for a year and the Board now includes three commercially focused Directors: a UK Sales Director, an International Sales Director and a Marketing Director. The business's main challenge is prioritising the opportunities that exist across a number of sales channels and geographies.

Did you know?

Renshaw is proud to hold a Royal Warrant which was first granted by George VI in 1950.

The model of investing in management and in the company brand is also beginning to deliver at R&W Scott though the process is less well advanced. We have appointed a Commercial Director and an Operations Director, a UK B2B sales manager, an export manager and a product manager. This is a transformation in the quality of resource which is required to drive sales growth.

The new Haydens team has now been in place for about six months and there are now also two commercially focused Directors on the Board. Haydens, while not ruling out the possibility of producing branded offerings, will remain a predominantly private label business. However, it will become a champion of its chosen product categories and will seek to lead the market in terms of innovation and product development.

This new strategy is generating growth with existing customers and producing interest from new ones.

Garrett Ingredients has long history of successfully serving its customers in its areas of market expertise. What became clear during the past year was that its management team was far too lean (effectively only two senior managers) if it were to expand in line with our ambitions. The new management team again has three commercially focused Directors as well as a Finance Director. This investment in management expertise will clearly increase the business's overhead but is a statement of the confidence we have in its growth potential.

Finally the decision to set up Real Good Food Europe is a reflection of our belief that sales growth is dependent on businesses having dedicated commercially focused management. Renshaw was building its presence in European markets but at arm's length from its UK base in Liverpool. It was clear that if we were going to serve these customers properly and develop the business, we needed to better understand their markets and be represented locally. The new team in Brussels is totally customer-focused and excited by the opportunities.

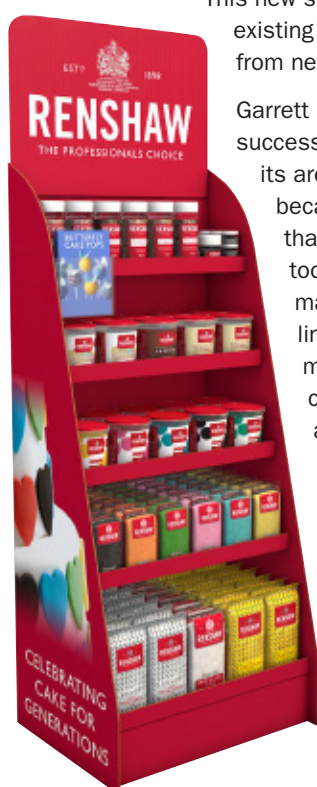
Outlook

We remain in close dialogue with the CMA and are hopeful that the regulator will take the necessary steps to ensure that competition law is enforced. However, the current sugar contract year does not end until 30th September, coinciding with our half year, so despite continued strong trading at Renshaw and Haydens, our first half performance will still be materially affected. Beyond that, negotiations for the new sugar contract year are progressing and we are working on a number of strategic sourcing initiatives on the back of our investment in the Stallingborough Sugar Hub which will bring long term benefits.

Pieter Totté
Chairman



Watch more content online at: www.realgoodfoodplc.com



Strategic Report

Management

The Group Executive Team



Gino De Jaegher



David Newman



Heather Billington



Andrew Brown



David Wright



Read more information about our **Financial Review** on pages 26 to 28

Roles and Responsibilities

Gino de Jaegher

Chief Operating Officer

Direct line management of each business unit, working with Managing Directors to set strategies and deliver on budgeted financial plans.

David Newman

Company Secretary

Corporate governance as required for AIM listed companies. Management of the shareholder register, investor relations, regulatory announcements and corporate risk management, e.g. legal and insurance compliance matters.

Heather Billington

Group HR Director

Setting of Group People Vision and HR strategy and working with the business units to ensure that local implementation of the strategy embraces the principles of best practice and is legally compliant.

Andrew Brown

Group Brand and Marketing Director

Working with the businesses to ensure that their commercial strategies are market-led and utilise the Group's brand assets. Encouragement of best practice across all marketing disciplines. Corporate and internal communications.

David Wright

Group Operations Director

Coordination of Group resources across a range of functions: manufacturing, logistics, technical, purchasing, product innovation and development. Coordination of health and safety, capital expenditure and property transactions. Strategic project management.

The Executive Chairman and the Group Finance Director work directly with each of the team and attend their regular team reviews.

Group Strategy

Key Strategic Priorities by Division

Business	2013/14 Revenue	Key strategies and plans	Read more
Napier Brown Managing Director: Jon Tanner	£162.3m	<ul style="list-style-type: none"> • New sources of sugar • Invest in logistics – sugar hub • Added value and innovation in retail 	 pages 12 to 13
Renshaw Managing Director: Robin Mountain	£42.9m	<ul style="list-style-type: none"> • Grow export • Invest in the brand and on-line • New capacity to meet market growth 	 pages 14 to 15
Real Good Food Europe Managing Director: Thierry Dubois	£0.5m	<ul style="list-style-type: none"> • Prioritise sales opportunities • Invest in customer service • Tailor products to local markets 	 pages 16 to 17
R&W Scott Managing Director: John Easton	£9.1m	<ul style="list-style-type: none"> • Develop brands • New product development • Broaden customer base 	 pages 18 to 19
Garrett Ingredients Managing Director: Andy Birkett	£30.4m	<ul style="list-style-type: none"> • New sources of Dairy (Europe) • Broaden product range (new distributorships) • Broaden customer base 	 pages 20 to 21
Haydens Bakery Managing Director: John Larsen	£27.3m	<ul style="list-style-type: none"> • Focus on core product capabilities • Invest in efficient plant and process • Innovation and development 	 pages 22 to 23

Icings and Frostings are two of the fastest growing sectors of the home-baking and cake decorating markets, growing in value at 16% and 25% respectively in 2013.

Source: Kantar Worldpanel



Pictured: Gingerbread men decorated with Renshaw icing.

Strategic Report

Group Strategy continued

A Focus on Sales Growth

Each business has its own strategy. The common themes are a focus on sales growth and being market-led by understanding and investing in our manufacturing capabilities and the market sectors in which we operate and developing products which meet consumers' and customers' needs based on strong category insight.

- We have invested strongly in commercial resource over the past two years; this has amounted to an additional twenty managers in sales and marketing roles.
- We believe strongly in local accountability but believe equally that there is value in small, expert Group functions which can spread best practice and provide support as required.

The following three case histories are examples of how we drive the business forward: the setting up of Real Good Food Europe was recognition of the sales opportunity which existed and the need for a structural change to realise it; the rebranding of Whitworths Sugar is a classic case of investing in an under-utilised asset and the leadership training programmes underline our commitment to investing in our management teams.



Pictured: Real Good Food Europe sponsored a Queen's birthday celebration at the UK Ambassador's residence in Brussels. The event was attended by members of the Belgian Royal Family.

Real Good Food Europe

The concept of Real Good Food Europe originated during 2012 when export sales of particularly Renshaw products were showing strong growth despite the economic problems being faced by economies across Europe. Interestingly at that time, two of the strongest markets were Italy and Spain despite high levels of unemployment. This led the business to want to understand more about local market trends across Europe so that opportunities could be prioritised and sufficient resource dedicated. It was felt that this could be better achieved by having a presence in mainland Europe.

Thierry Dubois was recruited as General Manager in early 2013 and he set about evaluating the opportunities and recruiting a commercial team to drive the business. There are now seven full-time employees who between them speak eight languages. Recently, in order to provide high quality customer service, a 650 square metre warehouse has been leased on the outskirts of Brussels.

The commercial strategy involves both a gradual transfer of existing Renshaw customers to give a greater focus to local customer service and a new customer development programme, prioritising opportunities across different countries. The business has already exhibited at major trade fairs in both Paris and Brussels as part of its marketing programme.



Pictured: Thierry Dubois receiving the Golden Bridge Award at a ceremony in central London in November



Read more information about our
Divisional Reviews on pages 12 to 23

Whitworths Sugar

The Whitworths Sugar brand has been transformed over the past three years and has become one of the fastest growing brands in the grocery sector with retail sales value estimated to push towards £100 million by later this year. The Napier Brown team worked with a branding agency to look at the brand positioning and produce a fresh new identity. It became clear that Whitworths, with its heritage in home-baking, was perfectly placed to be seen as the expert in what sugar is used for from “stirring and sprinkling” to “home-baking and cooking”. As part of this process a ‘Whitworths Sugar Poem’ was written which epitomises the brand’s positioning and values.

Whitworths Sugar was first to market with the innovative resealable pouches for baking sugars which have been replicated in larger versions for the foodservice market. In all the brand now comprises over 60 different product lines, all designed to meet the needs of the end customers and consumers.

Latest market research data shows Whitworths Sugar to be the fastest growing brand in the sugar market with its 12 week ending share above 20%. Whitworths will continue to look at new opportunities to create new ideas for consumers and thereby add value to the market.



Pictured: The Whitworths Sugar “Poem” which conveys the brand’s positioning and values



Read more information about our
Divisional Reviews on pages 12 to 23

Leadership Training

2013-14 saw the successful introduction and implementation of Leadership and Management Development Programmes across Napier Brown and Renshaw. Across both businesses 50+ senior managers have participated in a programme which focused upon:

- understanding what leadership is
- understanding their role in achieving business goals
- managing themselves to ensure effective performance
- ensuring a shared agenda and purpose
- embedding our values through behaviours and actions
- challenging the norm
- developing a culture of high performance and continuous improvement
- ensuring exceptional communication and achieving full engagement with people throughout our business

We have been encouraged by the results of these programmes with improved communications and stronger collaboration between teams particularly evident. The next phase will see middle managers at both Napier Brown and Renshaw participating towards the end of the year, whilst Haydens, R&W Scott and Garretts are all now planning to embark on similar programmes.



Pictured: Members of the Napier Brown team attending a briefing on company vision and strategy



Read more information about our
Divisional Reviews on pages 12 to 23

Strategic Report

Sugar Market Review

Did you know?

Sugar cane stalks can grow up to 4 metres tall.

Sugar Market Review

Worldwide consumption of sugar has increased by some 20% over the past ten years from around 140 million tonnes per annum to over 170 million tonnes today. Consumption within the EU is around 16.5 million tonnes. Despite health trends in western societies and the threat of taxation of high sugar content foods, this trend is likely to continue as world population grows and diets in areas of growing populations (e.g. Asia which accounts for around 45% of world consumption) become more westernised.

World production has largely risen in line with this increased in consumption (see Chart 1) but is prone to shocks as sugar is a crop which can be subject to adverse weather conditions. In at least two years over the past ten, world production has been below consumption leading to a reduction in stocks with an inevitable upward effect on prices. Eighty per cent of world production is from sugar cane, grown in tropical climates and 20% from sugar beet farmed in temperate northern climates. Most of the increase in production has come from cane which has a seven year planting cycle; this in itself presents a risk to continued production increases.

The world's largest producers are Brazil and India which together account for about 40% of world supply. The next two largest are China and Thailand accounting for a further 12%. Sugar beet production across the whole of the EU accounts for under 10% of world production.

World sugar prices fluctuate daily depending on market conditions and positions taken by global traders. Chart 2 shows a comparison of world prices and EU prices since 2011. It demonstrates how EU and world price trends do not necessarily correlate. Historically EU sugar prices have enjoyed a significant premium to world prices. This is because the EU is a protected market operated by the European Commission and is subject to production quotas and import tariffs. Sugar in the EU was part of the original Common Agricultural Policy. In 2008, following negotiations with the World Trade Organisation the EU announced a reform of the "Sugar Regime" which reduced beet production quotas. Imports remain subject to punitive tariffs except for specific countries (ACP – African Caribbean and Pacific and LDC – Least Developed Countries) which enjoy duty free access for cane sugar (either in raw form or fully refined) to the EU market. These countries have now formed neighbouring groups with duty free access to the EU via EPAs – Economic Partnership Agreements.

Chart 1
Production/Consumption in Million Tonnes

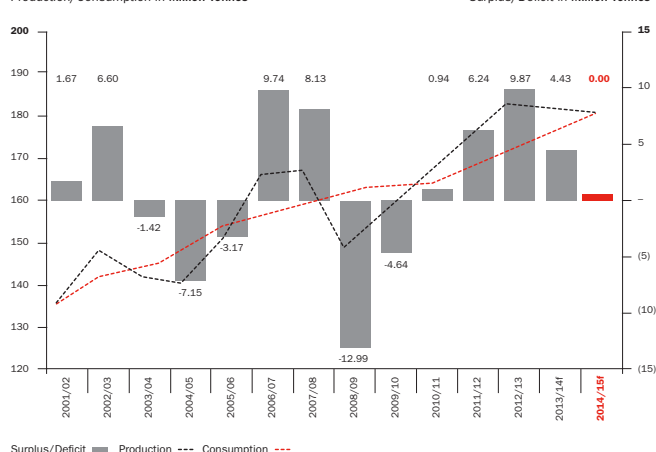


Chart 2



Ominicane

- Ominicane Holdings Ltd is the largest sugar business in Mauritius, has a turnover of over £700 million and is quoted on the Mauritian stock exchange. As well as cane growing and sugar refining it is involved in energy production, haulage and land development, as well as having interests in Kenya and Rwanda.
- It has invested in a state-of-the-art sugar “flexi-factory” at La Baraque in Mauritius which includes a sugar mill, sugar refinery, two co-generation plants and a bioethanol distillery combining to achieve Ominicane’s mission of making “the utmost sustainable use of its natural resources” (sugar cane). Mauritius is the largest producer of fully refined white sugar with duty free access to the EU market.
- Ominicane has a 28.1% shareholding in The Real Good Food Company



Pictured: Ominicane’s “flexi-factory” at La Baraque in Mauritius.



Pictured: Sugar Cane fields in Mauritius

The Napier Brown business is quite unusual within an EU context. It is the largest independent sugar distributor in Europe; while there are other sugar re-sellers and distributors, none have Napier Brown’s scale and breadth of operation across industrial, wholesale and retail. This is a result of the unique nature of the UK market where historically there was a duopoly of producers with British Sugar having a monopoly of the beet production quota and Tate & Lyle being the sole cane refiner. Most of the other major European producer countries have at least two beet producers as well as competition from neighbouring countries. With Tate & Lyle significantly reducing its UK production, the UK has become a deficit country and therefore relies on imports. Here, Napier Brown can play a central role marrying its expertise in sugar sourcing with its local route to market across all sales channels within the UK.

Napier Brown’s mission is to provide alternative choice and competition to the UK’s sugar users. With a production deficit in the UK it will import sugar from wherever it can source competitively priced, good quality sugar, be it Europe or internationally. The partnership with Ominicane could be relevant in this respect as Mauritius is the largest producer of fully refined cane sugar with duty free access to the EU. Napier Brown will also continue to pursue partnerships within the EU which, depending on market trends, may also offer competitive supply options. The investment in a sugar handling terminal at Stallingborough, near Immingham, is recognition of the importance of imports and the need to have a cost-effective logistics system whatever the source.

From October 2017 a further reform of EU sugar policy will lead to the abolition of beet production quotas and support prices, though import tariffs will remain. This is likely to lead, in the short term at least, to a narrowing of the gap between world and EU prices and a consolidation amongst EU beet producers. It is likely that the less efficient beet factories in Europe will be closed with production being increased at the larger factories. EU cane refiners who buy raw cane sugar and refine it in Europe will still be restricted by the tariff regime from where they can purchase duty free raw sugar and may find it difficult to compete.

Strategic Report

Divisional Business Reviews

Napier Brown

Financial performance dominated by the price dispute with British Sugar

Sales volumes increased across industrial, retail and wholesale

2013/2014 Review

The financial performance was clearly dominated by the dispute with British Sugar. The business had a busy year with increased sales volumes across industrial, retail and wholesale. The winning of the Asda and Booker contracts significantly increased utilisation of the Normanton packing site and a number of pack formats were added to the Whitworths range to meet the requirements of these customers.

Commissioning of the Stallingborough Sugar Hub began in the final quarter and it started processing sugar from both Europe and Central America. Much focus was given to gaining customer approvals for new supply sources which we believe to be in our customers' interest in the long term. Given the high profile of traceability in the food industry following recent scares, this process has taken longer than anticipated.

Future Plans

The business has the advantage of entering the new contract season with the Stallingborough facility operational and will be able to offer customers fully traceable sugars from various sources. Plans are in place to increase efficiencies at the Normanton packing plant following the volume increases last year. From a sourcing perspective, there seems, in the short term, to be ample availability of sugar both in Europe and around the world and advanced discussions on a number of supply arrangements, including with British Sugar, are currently taking place.

2014 Performance

	12 months ended 31 March 2014 £'000s	12 months ended 31 March 2013 £'000s
Revenue	162,333	157,156
EBITDA	(1,605)	4,723
Operating (loss)/profit	(2,024)	4,353
Operating profit %	n/a	2.8%

Jon Tanner

Managing Director

"Plans are in place to increase efficiencies at our Normanton packing plant following the volume increases last year"

For further information go to
www.napierbrown.co.uk



Case Study

WHITWORTHS Foodservice

Whitworths saw an opportunity to design a range tailored for the wholesale and foodservice market where the packaging can be an important influence on purchase patterns. It soon became clear that the pouch which had been developed in a small format in retail was also perfect for the needs of this sector. With the wipe-clean and resealable features, handles on the larger packs, bold colour-coded designs each with hints and tips, Whitworths has brought real innovation to a neglected sector of the market.

Pictured:

This poster was produced to support the launch of new Whitworths pouches for the wholesale and foodservice sectors.



Strategic Report

Divisional Business Reviews continued

Renshaw

Sales increased by 4.7% year on year

EBITDA was over £515,000 ahead of last year

2013/2014 Review

Sales increased by 4.7% while improved channel mix contributed to 11% growth in delivered margin. This was to an extent offset by increased overheads as the business continued to invest in resource, both commercial and operational, to enable the growth plans. EBITDA was £515,000 ahead of last year.

While all channels experienced sales growth, sales to retail were particularly healthy with Renshaw's expertise in colours providing the main focus. A number of new product launches, such as soft icings and "colour melts", took place towards the end of the year. Brand marketing continued to focus both on-line and via exhibitions with a successful presence at the Coronation Festival at Buckingham Palace being a particular highlight.

2014 Performance

	12 months ended 31 March 2014 £'000s	12 months ended 31 March 2013 £'000s
Revenue	42,952	41,033
EBITDA	5,467	4,952
Operating profit	4,398	4,125
Operating profit %	10.2%	10.0%

Future Plans

One of the strengths of the Renshaw business is its multi-channel nature with growth opportunities across all sectors: manufacturing, wholesale, retail (both specialist and mainstream), export and now digital. 2014 will see increased presence in export markets in Europe (via Real Good Food Europe), the US, where a bespoke Renshaw branded range has been launched, as well as Asia and Australasia. On the product side a relaunch of the marzipan ranges is planned which will build on Renshaw's traditional strengths in this sector while there will be further range extensions within both standard and modelling sugarpastes.

Robin Mountain
Managing Director

"2014 will see increased presence in export markets and there will be further range extensions within both standard and modelling sugarpastes"



For further information go to
www.renshawbaking.com



Case Study

Five Continents

Renshaw's export drive truly encompasses five continents. While Real Good Food Europe has been pushing sales both across Europe from Greece and Cyprus in the south to Scandinavia in the north, the brand has now been launched in the US where a bespoke range tailored to the local market has been introduced in the "tri-state" area of New York, New Jersey and Connecticut.

Three leading Australian retail chains are now being supplied with product from the Liverpool site while supply is also taking place to Indonesia, Malaysia and Singapore. Finally a number of opportunities have been identified in Africa. One thing is clear; the popularity of cake decoration is a global phenomenon.

Pictured:

The Renshaw range of icings are packed in cartons for the US market.



Strategic Report

Divisional Business Reviews continued

Real Good Food Europe

Sales office established in Brussels

Multilingual sales team recruited to build sales opportunities

2013/2014 Review

The business has now been established as a stand-alone unit with 2013/14 being effectively the “set-up” year. A sales office was established in Brussels and a multilingual sales team recruited to build sales opportunities. A gradual programme of customer transfers of existing Renshaw business took place across the year while the business also began a programme of new business development including successful participation at baking exhibitions in both Brussels and Paris. The business was pleased to win the 2013 “Best newcomer” award at the 2013 Golden Bridge Awards organised by the British and Belgian Chambers of Commerce.

2014 Performance

	12 months ended 31 March 2014 £'000s	12 months ended 31 March 2013 £'000s
Revenue	481	—
EBITDA*	(391)	—
Operating loss	(391)	—
Operating profit %	n/a	—

* before significant items

Future Plans

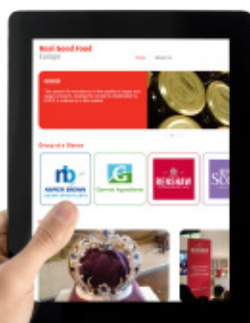
Sales have begun to meet our expectations in the early months of this year. With a strongly motivated sales team fluent in eight different languages, 2014/15 should generate significant sales growth, particularly on the Renshaw produced product ranges. A number of new opportunities are already developing across the Benelux countries and France in particular, with RGFE able to adapt to the specific requirements of different markets. A warehouse has been leased on the outskirts of Brussels which will increase RGFE's ability to offer a flexible and tailored customer service which is critical in this added value sector. The second focus will be exploring opportunities for the R&W Scott ranges.

Thierry Dubois
General Manager

“A number of new opportunities are already developing across the Benelux countries and France in particular”



For further information go to
www.realgoodfoodeurope.com



Case Study

Arôme Speculoos

Real Good Food Europe's mission is to sell products from Real Good Food's UK businesses on the Continent. However, they are also able to spot opportunities to tailor products for the local market. Speculoos is a popular flavour in the Benelux countries made famous by the thin biscuits served with coffee. So why not make a Speculoos flavour Renshaw sugarpaste?

Working with the development team at Liverpool, the product was created and is now available as part of the Renshaw range in Europe.

Pictured:

The 250g pack of Renshaw "Speculoos" ready-to-roll icing.



Strategic Report

Divisional Business Reviews continued

R&W Scott

Improvement in delivered margins despite reduced sales

Investment in sales, marketing and technical management

2013/2014 Review

EBITDA was £98,000 below last year, but with the division better placed to improve going forward. Sales are down as a result of withdrawing from some low margin business to business contracts and increased inter-company sales. Delivered margins improved with the more added value sales mix in line with the strategy while overheads increased as investment was made in sales, marketing and technical resources to manage the growth plan. The transition from a manufacturing site to a stand-alone business is almost complete with the recruitment of local finance resource now under way. Most of the overhead increase required to make this transition has now taken place.

2014 Performance

	12 months ended 31 March 2014 £'000s	12 months ended 31 March 2013 £'000s
Revenue	9,144	10,968
EBITDA	327	425
Operating profit	66	166
Operating profit %	0.7%	1.5%

Future Plans

An enormous amount of work was undertaken on new product development during last year with very little yet reflected in sales. 2014/15 will see the start of a major industrial jams and sauces contract and retail product launches in multipacks of jams, sauces and chocolate spreads. Many of these new products are being sold both in retail and business to business channels. An export drive is also under way focusing on the multipacks of jam and opportunities are being sought with Real Good Food Europe. R&W Scott is working with a local branding agency to develop a brand strategy founded on the business's quality reputation and Scottish heritage.

John Easton
Managing Director

"2014 will see the start of a major jams and sauces contract as well as retail product launches in multipacks of jams, sauces and chocolate spreads"



For further information go to
www.randwscott.com



Case Study

Fruity Chocolate Spreads

New product development is central to R&W Scott's growth plan. The strategy is to develop ideas which meet market needs based on the business's manufacturing capabilities in chocolate coatings and jams. So why not combine the two? A chocolate spread with added fruit. The new range of Scott's fruity chocolate flavour spreads contain fruit puree, taste delicious and are a versatile topping for porridge, pancakes or toast.

Pictured:

The Scott's Fruity Chocolate Flavour spreads come in two varieties: strawberry and orange.



Strategic Report

Divisional Business Reviews continued

Garrett Ingredients

Sugar volumes and margins impacted by price dispute
Dairy margins were strong

New management structure in place to deliver growth opportunities

2013/2014 Review

Volumes fell on both sugar and dairy. In sugar, dramatic falls in spot prices also put pressure on margins particularly as Garrett was caught in the downstream effect of the British Sugar dispute. In the second half of the year it proved impossible to compete satisfactorily in the spot market. The Dairy market is prone to shorter term market fluctuations and while margins were well managed, volumes were down on the previous year.

It became clear that, in order to meet the growth ambitions, substantial investment in the management team was required with, in particular, the splitting of the Dairy Trading and Managing Director roles. This took place in the second half of the year and the senior structure was completed with the appointment of an experienced Commercial Director in April.

2014 Performance

	12 months ended 31 March 2014 £'000s	12 months ended 31 March 2013 £'000s
Revenue	30,411	31,260
EBITDA	1,204	2,151
Operating profit	1,169	2,151
Operating profit %	3.8%	6.9%

Future Plans

The new management team is now in place and is devising a strategy and plan to get the business back into growth. The review of the distribution strategy has proved successful and Garretts will in future be managing its own logistics and customer service and separating itself from Napier Brown, thereby providing a higher level of customer service. Opportunities for new distributorships are being pursued and the business now has the breadth of management capability to deliver these.

Andy Birkett

Managing Director

"Opportunities for new distributorships are being pursued and the business now has the breadth of management capability to deliver these"



For further information go to
www.garrettingredients.co.uk



Case Study

Whitworths hits the “Spot”

Garrett Ingredients has a long tradition of selling sugar alongside dairy ingredients to small and medium-sized food companies in the UK. Most of its sugar sales are in the “spot” market; i.e. where customers only want relatively small volumes and not an annual contract. Garretts has decided that there is an opportunity to build on the growing reputation of Whitworths Sugar and sell a branded offering to its customers with a Whitworths 25kg bag of granulated sugar which gives customers security of supply and full traceability.

Pictured:

This sales leaflet was produced to support the launch of Whitworths 25kg with Garrett Ingredients' customers.



Strategic Report

Divisional Business Reviews continued

Haydens Bakery

Sales increased by 7.6% year on year

EBITDA was £576,000 ahead of last year

2013/2014 Review

Profit performance was encouraging with EBITDA growing by £576,000.

Sales increased by 7.6% and favourable material and labour efficiencies further enhanced margins, more than offsetting material price inflation. Overheads were ahead of last year, a combination of inflation and investment in additional resource both to fulfil customer service and technical requirements and additions to the sales team as part of the growth plan. The senior management team was also reshaped during the year and is now fully in place to take the business to its next growth phase.

Sales growth came from both existing customers (e.g. Waitrose and Costa) and new ones with supply beginning to Morrisons in 2013.

2014 Performance

	12 months ended 31 March 2014 £'000s	12 months ended 31 March 2013 £'000s
Revenue	27,255	25,337
EBITDA	917	341
Operating profit/(loss)	109	(417)
Operating profit %	0.4%	(1.6%)

Future Plans

The new management team has identified a narrower set of product sectors which represent the business's real areas of expertise and these will be the focus for growth both with existing and new customers. These are tarts, Danish pastries, Yum Yums, pies and crumbles and sweet buns. These will not only provide a focus for product development but will also simplify the manufacturing operation by reducing complexity and increasing scale in core areas. The restructuring of the sales team is already proving successful in bringing new business across retail and foodservice channels.

John Larsen
Managing Director

"The re-structure of the sales team is already proving successful in bringing new business across retail and foodservice channels"



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



Case Study

Life's a tart of cherries

Innovation is not only about producing delicious tasting products such as this new Cherry Almond tart with its crisp shortbread base, sharp cherry and indulgent frangipan filling. It is also about making the product in a format which suits the sales channel and the end customer; this tart comes ready-cut into twelve portions which opens up opportunities in the foodservice sector. The cutting facility will also enable Haydens to offer twin-packs for retail sale.

Pictured:

A pre-cut slice of the delicious cherry tart.

It can be sliced in whatever way the customer requires.



Strategic Report

Corporate Social Responsibility

Real Good Food Company has recently joined **Business in the Community** and we are working with them to **devise** and **deliver** an action plan for each business in **support** of the three **core principles** of our Corporate Social Responsibility Policy

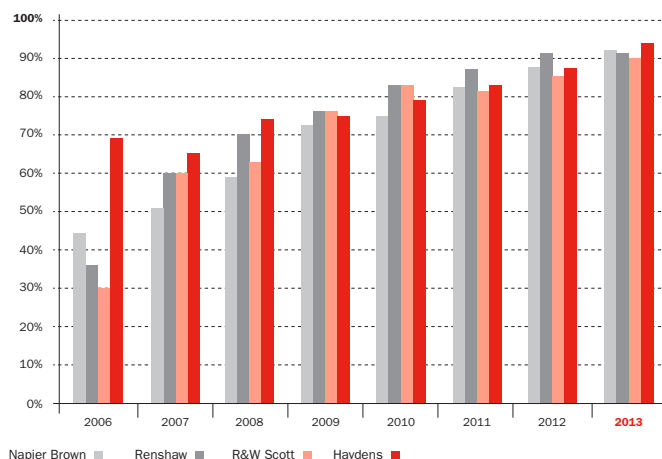
A member of



The policy comprises three core principles:

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

Real Good Food Company Health and Safety Audit Scores 2006–2013



Business in the Community

Real Good Food Company has recently joined Business in the Community and we are working with them to devise and deliver an action plan for each business in support of the three core principles of our Corporate Social Responsibility Policy:

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

We have begun by completing a diagnostic exercise to benchmark where we stand against best practice within the industry. From this we propose to put together an annual plan for each business.

Looking after our people

Health & Safety

- Safety performance has shown improvement across the board in RGFC with all manufacturing sites now above 90% on our external audit score. This score has doubled since 2006. This process has involved strong leadership on health and safety across the sites, involvement of all employees, and structured plans including continuous assessment and reviews. It is planned to set new benchmarks for the audit from 2014.

Talent Management

- During the year we have fine-tuned our performance & development review process to ensure our people have the opportunity to develop and also to enable us to clearly identify those with high potential for the future, thus allowing appropriate succession plans to be developed.

Training and Development

- A new Leadership Training programme was begun at Napier Brown and Renshaw (see page 9 for further detail).

Recognition

- Celebrating success is important to us and so we have relaunched our “Made a Difference” awards which recognise and reward those who “go the extra mile” in the course of their work. Such awards have included employees who have made a difference in terms of health and safety, waste process improvements and making life easier for colleagues!

Engaging with our local communities

Charitable Giving

- We encourage our employees to support charities both nationally and locally. Most businesses nominate each year one national and one local charity to support.

During last year our employees raised over £20,000 for charitable causes. These included:

£2,500 for Movember by Renshaw and R&W Scott

£6,000 for Marie Curie Cancer Care and Alzheimer's Society by Renshaw via raffles, a "Santa Dash", bake-offs, race nights, half marathons and various activities

£12,000 for Macmillan Cancer Care and the Wakefield Hospice by Napier Brown through an Easter egg raffle, coffee mornings and a cycle ride from Normanton to London

£2,000 at Haydens for Breast Cancer 'Wear it Pink' and the local air ambulance



Pictured: Employees from Renshaw and their families participated in the Memory Walk to raise money for Alzheimer's Society

Schools and Colleges

- We continue to support local schools and colleges with work experience, placements, projects and factory tours as well as providing product for local school initiatives.

Operating responsibly and sustainably in everything we do

Environmental Management

- Following the success of our structured approach to health and safety we are planning to use a similar process to manage and monitor our environmental performance. We will be introducing an environmental management programme with the objective of:

- Reducing Energy Consumption
- Reducing Carbon Emissions
- Reducing General Waste to Landfill (Segregation of Waste Streams)
- Removing Food Waste to Landfill
- Reducing Transport emissions

Our environmental audit will monitor performance and progress in all these areas and our sites will work towards achieving ISO 14001 accreditation.

Ethical Trading

- Liverpool, Normanton and Devizes have all undergone successful ethical audits under the Ethical Trading Initiative. Compliments were received from the ethical auditors on our people, their demeanour and the examples of "best practice" which we were able to demonstrate.



Pictured: The Mayor of Normanton cuts the tape at the start of the Normanton to London bike ride which raised money for Macmillan Cancer Care and the Wakefield Hospice

Strategic Report

Finance Director's Report

Reduction in EBITDA due to dispute with British Sugar impacting Napier Brown and Garrett Ingredients

EBITDA growth at Renshaw and Haydens



“Group revenue from continuing operations was £272.6 million in the 12 months to 31 March 2014, an increase of 2.6% on the previous 12 months, reflecting the overall volume growth across the Group”

Mike McDonough

Finance Director

Overview

The current year's results are dominated by the dispute with British Sugar. The reduction in EBITDA from £10.47 million last year to £3.29 million this year is all within Napier Brown and Garrett Ingredients trading which are both directly affected.

Revenue

Group revenue from continuing operations for the 12 months to 31 March 2014 was £272.6 million, an increase of 2.6% on the 12 months to 31 March 2013 reflecting the overall volume growth across the Group.

Movements in base commodity costs in the year were managed effectively across the divisions with the exception of Sugar where the market reductions were not fully reflected in our purchase price triggering the dispute with British Sugar.

Key Comparatives (continuing operations excluding significant items)

	12 months ended 31 March 2014 £'000s	12 months ended 31 March 2013 £'000s
Revenue	272,576	265,754
Gross profit	33,389	37,285
Delivered Margin	19,561	25,620
(Gross profit after distribution costs)	19,561	25,620
EBITDA*	3,296	10,466
Operating profit*	669	8,241
(EBITDA less depreciation)		
Operating profit %	0.2%	3.1%
(Loss)/profit before taxation		
(After financing & pension costs)	(992)	6,631

* Before significant items.

Margins

Delivered margin for the year at £19.6 million was £6.1 million down over the prior year with Napier and Garretts, who were both significantly affected by the BS dispute down £6.9 million and £0.5 million respectively. The rest of the Group at £15.1 million was up £1.3 million on the prior year.

Loss before Tax and Interest

Overall we generated a loss before tax and significant items for the year of £1.0 million (PBT continuing operations including pension “running costs”), a reduction of £7.6 million over the previous year 12 months driven by a £7.2 million EBITDA reduction mainly in Napier Brown and Garretts as commented previously with the balance of £0.4 million primarily increased depreciation reflecting the planned increase in capital

Did you know?

The EU Commission has announced that sugar beet production quotas will end in 2017

(See pages 10–11 for more detail)

expenditure in the year. Investment in the Stallingborough Sugar Hub accounts for the increase of this year's spend of £6.9 million over the £2.7 million invested in the prior year.

Financing Costs

Financing costs for the year at £1.6 million were largely in line with the prior year.

Significant Items

During the year the Group incurred one-off costs of £0.5 million which included £0.35 million for the complete reshaping of the executive team at Garrett Ingredients, including the appointment of a new managing director, commercial director, business development director and finance director. £0.15 million was also incurred in Renshaw with major changes to the direction and management in the senior commercial team.

Overview

	31 March 2014 £000's	31 March 2013 £000's
Working Capital (Fixed assets/stock/trade debtors & trade creditors)	46,941	42,555
Net Borrowings (Incl Cash)	31,133	24,952
Net Debt/EBITDA	9.5	2.4

Cash Flow and Debt

Working Capital levels increased by £4.4 million during the year. Within this Fixed Assets were up a net £4.3 million (£6.9 million Capital expenditure less £2.6 million depreciation) reflecting our investment programme with the balance, an increase of £0.1 million, being the movements across the more fluid stock, debtor and creditor positions.

Net Debt (after Cash) as at 31 March 2014 was £31.1 million, up £6.2 million on the prior year (31 March 2013 – £24.9 million) largely driven by the increased capital expenditure. The negative impact on cash generation arising on the British Sugar dispute was largely offset by improved working capital management.

Our ability to service this debt remains despite the headline change in the Debt ratio (Net Debt to EBITDA) from last year.

Pensions

The Group operates one defined benefits scheme which was closed to new members in 2000. As reported last year an extension to the existing recovery plan has been agreed with "base" contribution levels for the year ended 31 March 2013 of £265k with annual increments of 3% for the following two years. In addition to this, the Group has agreed to make an additional, one-off, contribution of £166k which is payable at the rate of £11k per month starting from November 2013. The Group is confident this will continue to meet the trustees' needs and the pension regulator's guidance.

The latest IAS 19 valuation as at March 2014 indicates £3.67 million deficit, an increase of £0.13 million since March 2013.

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:

	31 March 2014 £m	31 March 2013 £m
Revenue growth ¹	2.6%	2.8%
Operating margin ²	0.2%	3.1%
Debt cover (Net debt/EBITDA) ³	9.5	2.4
Interest cover ⁴	2.0	7.1
Health & Safety score ⁵	92%	88%

1. Revenue growth is calculated for continuing operations.
2. Operating margin is stated for continuing operations only and is calculated by dividing operating profit before tax, interest and significant items by revenue from continuing operations.
3. Debt cover is calculated by dividing total net debt by continuing EBITDA. EBITDA is defined as earnings before significant items, interest, tax, depreciation and intangible asset amortisation.
4. Interest cover is calculated by dividing EBITDA by net interest payments (gross interest payable less interest receivables).
5. Health & Safety score represents the weighted average score across all sites as determined by our health and safety score index which was introduced in 2006 and is measured by an external consultant. Figures quoted refer to the calendar year.

Strategic Report

Finance Director's Report continued

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 its 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.

c) Sugar Regime

In October 2009 the last major reform of the EU Sugar Regime took effect with the reduction in the support price for white sugar to €404.4/tonne (following the reduction in October 2008 to €561.5/tonne from €631.9/ton which had been in operation since 1993) and the simultaneous reduction in beet quotas within the EU to 13.5 million tonnes.

This process caused considerable instability in the sugar market and for all its operators from 2008 through 2010. The EU has now decided that from October 2017 beet production quotas will end though there will be no changes to import tariffs. The impact of this remains uncertain though it is likely that there will in future be a closer correlation between EU and World market prices. Industry commentators also point to potential further consolidation amongst EU beet producers and the challenges to EU-based cane refiners. The Group is not a sugar producer so will continue to buy from the most competitive and sustainable sources.

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 biannually.

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 is 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 tracking performance of the Whitworths Sugar 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 all its businesses. Adherence to this policy is monitored by the divisional finance directors with updates planned for the plc Board on progress and compliance.

Mike McDonough Finance Director

This Strategic Report on pages 1 to 28 was approved by the Board on 31 July 2014 and signed on its behalf by Pieter Totté.

Our Governance

Board of Directors



Pieter Totté



Mike McDonough



Peter Salter



Christopher Thomas



Jacques d'Unienville

Executive/Non-Executive Directors

Pieter Totté

(Executive Chairman)

Pieter has extensive knowledge of the food sector having acted as a corporate finance adviser on many transactions over the past 20 years. Pieter founded RGFC in 2003 and acted as Non-Executive Chairman until November 2009 when he assumed the role of Executive Chairman. Since then Pieter has led the growth plan for RGFC and has developed strong management teams across all the businesses allowing him to devote more time to sugar sourcing and Group strategy.

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.

Peter Salter

(Non-Executive Director)

Peter was in practice for 20 years as a tax partner with Chartered Accountants Crowe Clark Whitehill, latterly as CEO. 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 and is currently a Non-Executive Director of Peter Thompson Group PLC. He is chairman of both the Audit and Remuneration Committees of the Group.

Patrick Ridgwell

(Non-Executive 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 and 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.

Chris Thomas

(Non-Executive Director)

Chris qualified as a chartered accountant in 1969. In 1973 he joined Breakmate, a vending business, which was admitted to 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.

Our Governance

Report of the Directors

The Directors present their **report** and the audited **financial statements** for the year ended **31 March 2014**

Statement of Directors' responsibilities

The statutory directors are responsible for preparing the Strategic Report and 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 Strategic Report and 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 accepts 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 Reviews on pages 12 to 23. The financial position of the Group, its cash flows and liquidity position are described in the Finance Director's Report on pages 26 to 28. 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 its report and to establish that the Group's auditor is aware of that information.

Principal activities

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

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

Business review and future developments

These topics are covered in detail within the Strategic Report on pages 1 – 28.

Results and dividends

The Group's revenue from continuing operations for the year was £272,576k (2013 – £265,754k), yielding a gross profit of £33,389k (2013 – £37,285k) and an operating profit of £669k (2013 – £8,241k) from continuing operations before significant items.

There were no discontinued business operations during the year.

The Group's (loss)/profit for the year after taxation was (£658k) (2013 – £4,780k).

The Directors do not recommend payment of a dividend in respect of the 12 months ended 31 March 2014 (2013 – £nil).

Significant items

During the 12 month period the Group incurred reorganisation costs of £544k (2013 – £505k); 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 £9.5 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 2014	31 March 2013
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 2014 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	28.1%

Our Governance

Report of the Directors continued

Directors' indemnities

The Company has paid £9,450 (2013 – £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.

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.

Research and development

During the period the Group incurred costs of £760k (2013 – £922k) 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 provide 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.

Approval of Directors' Report

This Directors' Report was approved by the Board on 31 July 2014.

Pieter Totté
Chairman

Mike McDonough
Director

Our Financials

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 2014 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.

In addition, we read all the financial and non-financial information in the Strategic Report (Highlights, Chairman's Statement, Divisional Reviews and Finance Director's Report) and the Report of the Directors to identify any information that is apparently materially incorrect based on or materially inconsistent with the knowledge acquired by us during the course of performing the audit. 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 2014 and of the Group's result 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 Strategic Report and 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.

Keith Newman

Senior Statutory Auditor

For and on behalf of Crowe Clark Whitehill LLP

Statutory Auditor

Maidstone

31 July 2014

Consolidated Statement of Comprehensive Income

Year ended 31 March 2014

	Notes	Year ended 31 March 2014			Year ended 31 March 2013		
		Before significant items £'000s	Significant items (Note 6) £'000s	Total £'000s	Before significant items £'000s	As restated Significant items (Note 6) £'000s	Total £'000s
Continuing Operations							
REVENUE	4	272,576	—	272,576	265,754	—	265,754
Cost of sales		(239,187)	—	(239,187)	(228,469)	—	(228,469)
GROSS PROFIT		33,389	—	33,389	37,285	—	37,285
Distribution costs		(13,828)	—	(13,828)	(11,665)	—	(11,665)
Administration expenses		(18,892)	(544)	(19,436)	(17,379)	(505)	(17,884)
OPERATING PROFIT	8	669	(544)	125	8,241	(505)	7,736
Finance income	9	—	—	—	—	—	—
Finance costs	10	(1,602)	—	(1,602)	(1,560)	—	(1,560)
Other finance income	11	(59)	—	(59)	(50)	—	(50)
(LOSS)/PROFIT BEFORE TAXATION		(992)	(544)	(1,536)	6,631	(505)	6,126
Income tax expense	14	758	120	878	(1,467)	121	(1,346)
(LOSS)/PROFIT FROM CONTINUING OPERATIONS ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		(234)	(424)	(658)	5,164	(384)	4,780
OTHER COMPREHENSIVE LOSS							
Actuarial (losses)/gains on defined benefit plans		(394)	—	(394)	(2,597)	—	(2,597)
Income tax relating to components of other comprehensive income		(3)	—	(3)	613	—	613
OTHER COMPREHENSIVE (LOSS)/INCOME		(397)	—	(397)	(1,984)	—	(1,984)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		(631)	(424)	(1,055)	3,180	(384)	2,796
Earnings per share from continuing operations:							
– basic	15			(0.95)p			7.0p
– diluted				(0.95)p			6.4p

The Notes on pages 41 to 74 form part of these financial statements.

Our Financials

Consolidated Statement of Changes in Equity

Year ended 31 March 2014

	Issued Share Capital £'000s	Share Premium Account £'000s	Share Option Reserve £'000s	Retained Earnings £'000s	Total £'000s
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
Balance as at 31 March 2013	1,389	71,244	540	14,932	88,105
Share options to be issued	—	—	46	—	46
Deferred tax on share options	—	—	(82)	—	(82)
Total comprehensive loss for the period	—	—	—	(1,055)	(1,055)
Balance as at 31 March 2014	1,389	71,244	504	13,877	87,014

The Notes on pages 41 to 74 form part of these financial statements.

Company Statement of Changes in Equity

Year ended 31 March 2014

	Issued Share Capital £'000s	Share Premium Account £'000s	Share Option Reserve £'000s	Retained Earnings £'000s	Total £'000s
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 loss for the period	—	—	—	(1,728)	(1,728)
Balance as at 31 March 2013	1,389	71,244	540	(10,216)	62,957
Share options to be issued	—	—	46	—	46
Deferred tax on share options	—	—	(82)	—	(82)
Shares issued in period	—	—	—	—	—
Total comprehensive loss for the period	—	—	—	(3,473)	(3,473)
Balance as at 31 March 2014	1,389	71,244	504	(13,689)	59,448

The Notes on pages 41 to 74 form part of these financial statements.

Consolidated Statement of Financial Position

Year ended 31 March 2014

	Notes	31 March 2014 £'000s	31 March 2013 £'000s
NON-CURRENT ASSETS			
Goodwill	16	75,796	75,796
Other intangible assets	17	1,102	1,412
Property, plant and equipment	18	22,291	17,685
Deferred tax asset	20	1,319	1,385
		100,508	96,278
CURRENT ASSETS			
Inventories	21	19,108	15,037
Trade and other receivables	22	34,260	30,213
Current tax assets		641	—
Other financial assets	23	499	—
Cash and cash equivalents		8,568	7,134
		63,076	52,384
TOTAL ASSETS		163,584	148,662
CURRENT LIABILITIES			
Trade and other payables	24	29,820	21,282
Borrowings	23	31,221	23,032
Other financial liabilities	23	499	—
Current tax liabilities		—	750
		61,540	45,064
NON-CURRENT LIABILITIES			
Borrowings	23	8,480	9,054
Trade and other payables	24	191	—
Deferred tax liabilities	20	2,686	2,899
Retirement benefit obligations	31	3,673	3,540
		15,030	15,493
TOTAL LIABILITIES		76,570	60,557
NET ASSETS		87,014	88,105
EQUITY			
Share capital	25	1,389	1,389
Share premium account	26	71,244	71,244
Share option reserve	26	504	540
Retained earnings	26	13,877	14,932
TOTAL EQUITY		87,014	88,105

These financial statements were approved by the Board of Directors and authorised for issue on 31 July 2014.

They were signed on its behalf by:

P W Totté
Chairman

M J McDonough
Director

The Notes on pages 41 to 74 form part of these financial statements.

Our Financials

Company Statement of Financial Position

Year ended 31 March 2014

	Notes	31 March 2014 £'000s	31 March 2013 £'000s
NON-CURRENT ASSETS			
Investments	19	55,892	55,892
Property, plant and equipment	18	1,650	41
Deferred tax asset	20	298	383
Trade and other receivables	22	44,141	43,839
		101,981	100,155
CURRENT ASSETS			
Trade and other receivables	22	498	190
Cash and cash equivalents		185	58
		683	248
TOTAL ASSETS		102,664	100,403
CURRENT LIABILITIES			
Trade and other payables	24	187	329
Borrowings	23	1,836	1,823
		2,023	2,152
NON-CURRENT LIABILITIES			
Trade and other payables	24	35,825	29,010
Deferred tax liability	20	4	4
Borrowings	23	5,364	6,280
		41,193	35,294
TOTAL LIABILITIES		43,216	37,446
NET ASSETS		59,448	62,957
EQUITY			
Share capital	25	1,389	1,389
Share premium account	26	71,244	71,244
Share option reserve	26	504	540
Retained earnings	26	(13,689)	(10,216)
TOTAL EQUITY		59,448	62,957

These financial statements were approved by the Board of Directors and authorised for issue on 31 July 2014.

They were signed on its behalf by:

P W Totté
Chairman

M J McDonough
Director

The Notes on pages 41 to 74 form part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 March 2014

	12 months ended 31 March 2014 £'000s	As restated 12 months ended 31 March 2013 £'000s
CASH FLOW FROM OPERATING ACTIVITIES		
Adjusted for:		
(Loss)/profit before taxation	(1,536)	6,260
Finance costs	1,602	1,560
Other finance income	59	(84)
Depreciation of property, plant and equipment	2,275	1,992
Amortisation of intangibles	352	233
Operating Cash Flow	2,752	9,961
(Increase)/decrease in inventories	(4,071)	2,343
(Increase) in receivables	(4,047)	(5,533)
Pension contributions	(320)	(187)
Increase in payables	8,741	1,220
Cash generated from operations	3,055	7,804
Income taxes paid	(745)	(1,019)
Interest paid	(1,602)	(1,560)
Net cash from operating activities	708	5,225
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	22	32
Purchase of intangible assets	(42)	(1,124)
Purchase of property, plant and equipment	(6,903)	(2,652)
Net cash used in investing activities	(6,923)	(3,744)
CASH FLOW USED IN FINANCING ACTIVITIES		
Shares issued in period	—	2,459
Additional loans	1,120	4,866
Additional finance leases	517	—
Repayment of loans	(1,989)	(2,779)
Net movements on revolving credit facilities	8,053	(1,367)
Repayment of obligations under finance leases	(52)	(32)
Net cash used in financing activities	7,649	3,147
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,434	4,628
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	7,134	2,506
Net movement in cash and cash equivalents	1,434	4,628
Cash and cash equivalents at end of period	8,568	7,134
Cash and cash equivalents comprise:		
Cash	8,568	7,134
Overdrafts	—	—
	8,568	7,134

The Notes on pages 41 to 74 form part of these financial statements.

Our Financials

Company Cash Flow Statement

Year ended 31 March 2014

	12 months ended 31 March 2014 £'000s	12 months ended 31 March 2013 £'000s
CASH FLOW FROM OPERATING ACTIVITIES		
Adjusted for:		
Loss before taxation	(2,977)	(2,377)
Finance costs	318	246
Depreciation of property, plant and equipment	35	10
Operating Cash Flow	(2,624)	(2,121)
(Increase) in receivables	(752)	(3,421)
Increase in payables	6,334	1,257
Cash generated from operations	2,958	(4,285)
Interest paid	(318)	(246)
Net Cash from operating activities	2,640	(4,531)
Cash flow from Investing activities		
Investment	—	(55)
Purchase of property, plant and equipment	(1,644)	(23)
Net cash used in investing activities	(1,644)	(78)
CASH FLOW USED IN FINANCING ACTIVITIES		
Shares issued in period	—	2,459
Additional borrowings	1,120	4,866
Repayment of borrowings	(1,989)	(2,779)
Net cash used in financing activities	(869)	4,546
NET DECREASE IN CASH AND CASH EQUIVALENTS	127	(63)
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	58	121
Net movement in cash and cash equivalents	127	(63)
Cash and cash equivalents at end of period	185	58
Cash and cash equivalents comprise:		
Cash	185	58
Overdrafts	—	—
	185	58

The Notes on pages 41 to 74 form part of these financial statements.

Notes to the Financial Statements

Year ended 31 March 2014

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 International House, 1 St Katharine's Way, London, E1W 1XB. 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

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

IAS 16 and IAS 38	Amendment – Clarification of Acceptable Methods of Depreciation and Amortisation
IAS 16 and IAS 41	Amendment – Agriculture – Bearer plants
IAS 19	Amendment – Defined Benefit Plans : Employee Contributions
IAS 36	Amendments – Recoverable Amount Disclosures for non-Financial Assets
IAS 39	Amendments – Novation of Derivatives and Continuation of Hedge Accounting
IFRS 9	Financial Instruments
IFRS 11	Amendments – Accounting for Acquisitions of Interests in Joint Operations
IFRS 10, IFRS 12 and IAS 27	Amendments – Investment Entities
IFRS 14	Regulatory Deferral Accounts
IFRS 15	Revenue from contracts with customers
IFRIC 21	Levies

In addition, the following standards are available for adoption but do not have to be adopted until the financial year starting on or after 1 January 2014. The Company and Group have not yet adopted these standards.

IAS 27	Separate Financial Statements
IAS 28	Investments in Associates and Joint Ventures
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosures of Interests in Other Entities

Adoption of these Standards and Interpretations is not expected to have a material impact on the results of the Company or Group.

Our Financials

Notes to the Financial Statements continued

Year ended 31 March 2014

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 Reviews on pages 12 to 23. The financial position of the Group, its cash flows and liquidity position are described in the Finance Director's Report on pages 26 to 28. In addition, note 23 to the financial statements includes 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.

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

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

b) Basis of consolidation

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

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement. The loss for the financial period, of the holding company, as approved by the Board, was £3,473k (2013 – £1,728k).

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. Other 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.

2. Significant accounting policies (continued)

Deferred taxation liabilities are provided in full 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/or nature, for example, a major restructuring of the activities of the Group. Summary details of significant items are shown in the Chairman's Statement which forms part of this annual report, and in note 6.

g) Pension costs

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

Actuarial gains and losses are recognised in full in the period in which they occur. When the scheme is in surplus the surplus is 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 in other comprehensive income. 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 that is considered to have an economic life of five years and a customer list which is considered to have an estimated useful economic life of ten years and the assets are amortised on a straight-line basis over these periods. The average remaining life of intangible assets is three years (2013 – four years). The charge for the year is included in administration expenses within the Statement of Comprehensive Income.

Our Financials

Notes to the Financial Statements continued

Year ended 31 March 2014

2. Significant accounting policies (continued)

j) Leases

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

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

k) Investments

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

l) Inventories

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

m) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to commodity price and foreign exchange rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivative financial instruments are held by the Group as assets or liabilities on the statement of financial position measured at the fair values at the year end date. Changes in the value of derivative financial instruments arising from fair value hedges are recognised in the income statement.

For a hedging relationship to qualify for hedge accounting it must be documented at inception and it must be highly effective in offsetting the changes in cash flows or fair value attributed to the hedged risk.

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.

3. Critical accounting estimates and judgements

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

a) Impairment of goodwill

An impairment of goodwill has the potential to significantly impact upon the Group's Statement of Comprehensive Income for the period. In order to determine whether impairments are required the Directors estimate the recoverable amount of the goodwill. This calculation is based on the Group's cash flow forecasts for the following financial year extrapolated over a rolling 19 year period assuming a zero growth rate. A discount factor, based upon the Group's weighted average cost of capital, is applied to obtain a current value ("value in use"). The fair value less costs to sell of the cash generating unit is used if this results in an amount in excess of value in use.

Estimated future cash flows for impairment calculations are based on management's expectations of future volumes and margins based on plans and best estimates of the productivity of the income generating units 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 4%. Changes to the discount rate of 0.5% would result in a change in the scheme liabilities of 7.0% and a 0.5% movement in the rate of inflation would change the liabilities of the scheme by 2.0%.

The Statement of Comprehensive Income generally comprises a regular charge to operating profit for the current and past service cost. Past service costs represent the change in the present value of the benefits obligation that arises from benefit charges that are applied retrospectively to prior year benefits that have accrued. Past service costs are charged in full in the year when the changes to benefits are made 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 £0.07 million.

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

c) 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.

Our Financials

Notes to the Financial Statements continued

Year ended 31 March 2014

3. Critical accounting estimates and judgements (continued)

d) Significant items

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

e)

In common with comparable food groups, the Group is involved in a number of disputes in the ordinary course of business which may give rise to claims. Provision representing the cost of defending and concluding claims is made in the financial statements for all claims where costs are likely to be incurred. The Group carries a wide range of insurance cover and no separate disclosure is made of the detail of claims or the costs covered by insurance, as to do so could seriously prejudice the position of the Group.

4. Revenue

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

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

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. Real Good Food Europe (RGFE) has been added for clarity.

12 months ended 31 March 2014	Napier £'000s	Garrett £'000s	Renshaw £'000s	R&W Scott £'000s	Haydens £'000s	RGFE £'000s	Continuing Operations Total £'000s	Significant items £'000s	Total Group £'000s
Total Revenue	172,089	31,803	43,495	10,440	27,255	481	285,563	—	285,563
Revenue – Internal	(9,756)	(1,392)	(543)	(1,296)	—	—	(12,987)	—	(12,987)
External Revenue	162,333	30,411	42,952	9,144	27,255	481	272,576	—	272,576
Operating Profit before Head Office	(2,024)	1,169	4,398	66	109	(391)	3,327	(544)	2,783
Head Office and consolidation adjustments	—	—	—	—	—	—	(2,658)	—	(2,658)
Operating Profit/(loss)	(2,024)	1,169	4,398	66	109	(391)	669	(544)	125
Net Finance Costs	(1,046)	(113)	(280)	(59)	(104)	—	(1,602)	—	(1,602)
Pension Finance Income	—	—	—	—	—	—	(59)	—	(59)
Profit/(loss) before tax	(3,070)	1,056	4,118	7	5	(391)	(992)	(544)	(1,536)
Tax	706	(243)	(947)	(1)	(1)	90	(396)	—	(396)
Unallocated Tax							1,154	120	1,274
Profit/(loss) after tax as per comprehensive statement of income	(2,364)	813	3,171	6	4	(301)	(234)	(424)	(658)

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 2014.

5. Segment reporting (continued)

31 March 2014	Napier £'000s	Garrett £'000s	Renshaw £'000s	R&W Scott £'000s	Haydens £'000s	RGFE £'000s	Unallocated £'000s	Total Group £'000s
Segment assets	51,955	9,489	76,741	9,986	11,383	208	—	159,772
Unallocated assets								
Property, plant and equipment								1,650
Deferred tax assets								1,319
Trade and other receivables								202
Current tax asset								641
Total assets								163,584
Segment liabilities	39,939	3,989	11,264	4,718	6,378	55	—	66,343
Unallocated liabilities								
Trade and other payables								341
Borrowings								7,200
Current tax liabilities								—
Deferred tax liabilities								2,686
Total liabilities								76,570
Net operating assets	12,026	5,500	11,264	4,718	6,378	55	—	87,014
Non-current asset additions	2,397	—	999	302	1,603	—	1,644	6,945
Depreciation	419	—	752	261	808	—	35	2,275
Amortisation	—	35	317	—	—	—	—	352

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 3.3% of the total revenue of the Group, segmental reporting of a geographical nature is not considered relevant.

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Notes to the Financial Statements continued

Year ended 31 March 2014

5. Segment reporting (continued)

12 months ended 31 March 2013	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)
External Revenue	157,156	31,260	41,033	10,968	25,337	265,754	—	265,754
Operating Profit (before Head Office)	4,353	2,151	4,125	166	(417)	10,378	(505)	9,873
Head Office and consolidation adjustments	—	—	—	—	—	(2,137)	—	(2,137)
Operating Profit	4,353	2,151	4,125	166	(417)	8,241	(505)	7,736
Net Finance Costs	(810)	(222)	(326)	(74)	(129)	(1,560)	—	(1,560)
Pension Finance income	—	—	—	—	—	84	—	84
Profit/(loss) before tax	3,543	1,929	3,799	92	(546)	6,765	(505)	6,260
Tax	(936)	(462)	(887)	(36)	90	(2,231)	—	(2,231)
Unallocated Tax	—	—	—	—	—	764	121	885
Profit/(loss) after tax as per comprehensive statement of income	2,607	1,467	2,912	56	(456)	5,298	(384)	4,914

Inter-segment sales are charged at prevailing market rates.

31 March 2013	Napier £'000s	Garrett £'000s	Renshaw £'000s	R&W Scott £'000s	Haydens £'000s	Unallocated £'000s	Total Group £'000s
Segment assets	30,853	5,717	16,877	7,210	9,780	—	70,437
Unallocated assets							
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
Total assets							148,662
Segment liabilities	(27,326)	(4,319)	(8,807)	(2,277)	(4,865)	—	(47,594)
Unallocated liabilities							
Trade and other payables							(341)
Borrowings							(10,877)
Current tax liabilities							1,154
Deferred tax liabilities							(2,899)
Total liabilities							(60,557)
Net operating assets	3,527	1,398	8,070	4,933	4,915	—	88,105
Non-current asset additions	696	—	1,205	88	1,764	23	3,776
Depreciation	307	—	728	258	699	—	1,992
Amortisation	82	—	82	—	59	10	233

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. The Renshaw division accounts for the majority of this turnover.

6. Significant items

	12 months ended 31 March 2014 £'000s	12 months ended 31 March 2013 £'000s
Management restructuring costs	(544)	(395)
Group refinancing costs	—	(110)
	(544)	(505)
Taxation credit on significant items	120	121
	(424)	(384)

During the year the Group incurred a number of significant costs as detailed above. The management restructuring costs reflect a number of fundamental reorganisations within Garrett Ingredients and Renshaw during the period. Refinancing costs last year relate to “break costs” associated with the refinancing exercise we completed with PNC, our existing provider in December 2012.

7. Auditor's remuneration

	12 months ended 31 March 2014 £'000s	12 months ended 31 March 2013 £'000s
Fees payable to the Company's auditor for the audit of the Company's annual accounts	30	29
Fees payable to the Company's auditor for other services		
The audit of the Company's subsidiaries pursuant to legislation	130	126
Tax compliance services	41	25
Tax advisory services	28	16
Other assurance services	30	21
	229	188

Our Financials

Notes to the Financial Statements continued

Year ended 31 March 2014

8. Operating profit

	Notes	31 March 2014 £'000s	31 March 2013 £'000s
External sales		272,576	265,754
Staff costs	13	30,086	27,454
Inventories:			
— cost of inventories as an expense (included in cost of sales)		211,184	202,770
Depreciation of property, plant and equipment	18	2,275	1,992
Amortisation of intangible assets	17	352	233
Significant items	6	544	505
Minimum operating lease payment:			
— land and buildings	28	616	581
— other assets	28	773	562
Research and development expenditure*		760	922
Impairment of trade receivables	22	(45)	(2)
Foreign exchange gains		201	151
Other net operating expenses		25,705	22,850
Total		272,451	258,018
Operating profit from continuing operations		125	7,736

* The costs incurred in research and development are not capitalised as they do not meet the definitions of an intangible asset in accordance with IAS 38.

9. Finance income

There was no finance income in the period (2013 – £nil).

10. Finance costs

	12 months ended 31 March 2014 £'000s	12 months ended 31 March 2013 £'000s
Interest on bank loans and overdrafts	1,598	1,560
Interest on obligations under finance leases	4	—
	1,602	1,560

11. Other finance income

	31 March 2014 £'000s	As restated 31 March 2013 £'000s
Interest on pension scheme liabilities	879	816
Expected return on pension scheme assets	(720)	(766)
Past service cost	(100)	—
	59	50

12. Directors' remuneration

	31 March 2014 £'000s	31 March 2013 £'000s
Fees	106	86
Executive salaries and benefits	323	264
Share-based payments	16	17
	498	419

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

	Short term Employee Benefits* £'000s	Share-based payments £'000s	Post Employment Benefits £'000s	31 March 2014 £'000s	31 March 2013 £'000s
M J McDonough	197	3	53	253	267
P W Totté	126	13	—	139	66
P G Ridgwell	30	—	—	30	30
P C Salter	36	—	—	36	36
C O Thomas	40	—	—	40	20
J M d'Unienville	—	—	—	—	—
	429	16	53	498	419

* 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.

Our Financials

Notes to the Financial Statements continued

Year ended 31 March 2014

12. Directors' remuneration (continued)

Directors' interests in share options:

	Option Type	Date of Grant	Number of options at 31 March 2014	Number of options at 31 March 2013	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
M J McDonough	Warrants	Dec 2003	—	369,000	67.75p	Dec 2007	Dec 2013
	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	40,815	40,816	24.50p	May 2013	May 2020

No new options were granted to Directors during the year (2013 – none). 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 2014 was 40p and the range during the year was 36p to 72p.

No Director exercised share options during the year.

During the period retirement benefits were accruing to one (2013 – one) Director in respect of money purchase pension schemes.

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:

	31 March 2014	31 March 2013
Production	728	752
Selling and distribution	138	110
Directors and administrative	81	77
	947	939

The aggregate payroll costs were as follows:

	31 March 2014 £'000s	31 March 2013 £'000s
Wages, salaries and fees	26,127	23,913
Social security costs	2,530	2,289
Other pension costs	1,429	1,224
Cost of options issued to staff (see note 27)	—	28
	30,086	27,454

14. Taxation

	31 March 2014 £'000s	31 March 2013 £'000s
Current tax		
UK Current tax on profit of the period	(356)	1,404
UK Current tax on significant items	(120)	(121)
Adjustments in respect of prior years	(170)	(59)
Total current tax	(646)	1,224
Deferred tax		
Deferred tax charge re pension scheme	52	58
Origination and reversal of timing differences	53	114
Adjustments in respect of prior years	(6)	49
Adjustment in respect of change in deferred tax rate	(331)	(99)
Total deferred tax	(232)	(122)
Tax on profit on ordinary activities	(878)	1,346

Our Financials

Notes to the Financial Statements continued

Year ended 31 March 2014

14. Taxation (continued)

Factors affecting tax charge for the period:

The tax assessed for the period is lower (2013 – lower) than the standard rate of corporation tax in the UK 23% (2013 – 24%).

The differences are explained below:

	12 months ended 31 March 2014 £'000s	12 months ended 31 March 2013 £'000s
Tax reconciliation		
(Loss)/profit per accounts before taxation	(1,536)	6,126
Tax on (loss)/profit on ordinary activities at standard CT rate of 23% (2013 – 24%)	(354)	1,470
Expenses not deductible for tax purposes	21	48
Additional deduction for R&D expenditure	(17)	(18)
Share option relief	—	(39)
Losses carried back at higher marginal rate	(20)	—
Adjustment in respect of change in deferred tax rate	(331)	(102)
Adjustments to tax in respect of prior years	(177)	(13)
Tax charge for the period	(878)	1,346

15. Earnings per share

Basic earnings per share

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

	12 months ended 31 March 2014 £'000s Continuing operations	12 months ended 31 March 2013 £'000s Continuing operations
Earnings after tax attributable to ordinary shareholders (£'000s)	(658)	4,780
Weighted average number of shares in issue ('000s)	69,466	68,405
Basic earnings per share	(0.95)p	7.0p

15. Earnings per share (continued)

Diluted earnings per share

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

	31 March 2014 £'000s Continuing operations	31 March 2013 £'000s Continuing operations
Earnings after tax attributable to ordinary shareholders (£'000s)	(658)	4,780
Total potential weighted average number of shares in issue ('000's)	75,575	74,111
Diluted earnings per share*	(0.95)p	6.4p

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.

	31 March 2014 £'000s Continuing operations	31 March 2013 £'000s Continuing operations
Earnings after tax attributable to ordinary shareholders (£'000s)	(658)	4,780
Add back significant items (note 6)	544	505
Add back tax on significant items	(120)	(121)
Adjusted earnings after tax attributable to ordinary shareholders (£'000s)	(234)	5,164
Weighted average number of shares in issue ('000s)	69,466	68,405
Basic earnings per share	(0.34)p	7.5p
Total potential weighted average number of shares in issue ('000s)	75,579	74,111
Basic diluted earnings per share*	(0.34)p	7.0p

* As the group is loss making in the year under review the diluted earnings per share is the same as basic earnings per share.

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Notes to the Financial Statements continued

Year ended 31 March 2014

16. Goodwill

	Group £'000s
Cost	
Carried forward 31 March 2013	75,796
Carried forward 31 March 2014	75,796

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

	31 March 2014 £'000s	31 March 2013 £'000s
Sugar and Bakery Ingredients divisions		75,796
Napier Brown	12,000	—
Garrett Ingredients	5,000	—
Renshaw	57,796	—
R&W Scott	1,000	—
Carried forward 31 March 2014	75,796	75,796

The Goodwill originally arose on the acquisition of Napier Brown Foods Ltd and its RenshawNapier Ltd (formerly Napier Brown & Company Ltd) in 2005 in which, then as now, the trading activity of Renshaw, R&W Scott, Napier Brown and Garrett Ingredients resides. They all are part of one legal entity and were acquired as such at the time without any separate evaluation or consideration.

The strategy in recent years has been to establish each of these as separate trading businesses, “divisions”, with their own management teams and increasing autonomy leading in the near future to the likely re-establishment of them as separate Limited companies.

The Board believes the time is now right to consider them as separate entities and allocate the Goodwill across the divisions based on an assessment of their individual ongoing cash generating performance.

An assessment of the underlying cash generation, based on current EBITDA performance less ongoing maintenance capex, has been used to determine the future cash generation profile for each of the divisions with the exception of Napier Brown where the ongoing performance has been assessed setting aside the effect of the dispute with British Sugar which affects the “sugar year” October 2013 to September 2014. In line with the established impairment tests logic this profile has been used in establishing the Net Present Value of the individual future income streams.

The Board is keen to point out the outcome reflects the specific dynamics and nature of each division and that the respective values should not be viewed as a “judgement” on each. All the divisions have exciting growth plans that are being implemented and all will contribute to the future success of the Group.

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 6.67% (2013 – 4.88%). A period of 19 years has been applied to the projected cash flows, based on the logic above assuming no annual growth, 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 proceeds at the end of this timescale the recoverable amounts exceed the carrying value by £29.8 million. Actual EBITDA results this year were in line, with the exception of Napier Brown, with the projections used in the new divisional assessment. This year’s results overall were not in line with the assumptions used for last year’s impairment as a result of the British Sugar dispute which has been commented on in the Chairman’s Statement and the Napier Brown and Garrett Ingredients business reviews.

An increase in the Group’s weighted average cost of capital to above 10.5% (2013 – 17.11%) would cause the Board to impair the carrying value of goodwill.

17. Other intangible assets

	Group £'000s	Company £'000s
Cost		
At 1 April 2013	2,883	4
Additions	42	—
At 31 March 2014	2,925	4
Amortisation		
At 1 April 2013	1,471	4
Charge	352	—
At 31 March 2014	1,823	4
Net book value at 31 March 2014	1,102	—
Cost		
At 1 January 2012	1,759	237
Hive down	—	(233)
Additions	1,124	—
At 31 March 2013	2,883	4
Amortisation		
At 1 January 2012	1,238	215
Hive down	—	(211)
Charge	233	—
At 31 March 2013	1,471	4
Net book value at 31 March 2013	1,412	—

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

Within the consolidated position £17k relates to a purchased customer list and the balance relates to computer software.

There is no indication of any impairment of these Intangible assets.

Our Financials

Notes to the Financial Statements continued

Year ended 31 March 2014

18. Property, plant and equipment

Group

	Land and Buildings £'000s	Plant and Equipment £'000s	Assets in the course of construction £'000s	Total £'000s
Cost				
At 1 April 2013	10,943	27,222	654	38,819
Additions	1,672	4,320	911	6,903
Disposals	(29)	(89)	—	(118)
Reclassifications	508	146	(654)	—
At 31 March 2014	13,094	31,599	911	45,604
Depreciation				
At 1 April 2013	3,269	17,865	—	21,134
Disposals	(7)	(89)	—	(96)
Charge	314	1,961	—	2,275
At 31 March 2014	3,576	19,737	—	23,313
Net book value at 31 March 2014	9,518	11,862	911	22,291
Cost				
At 1 January 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	17,685
Depreciation				
At 1 January 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
Net book value at 31 March 2013	7,674	9,357	654	17,685

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

	31 March 2014 £'000s	31 March 2013 £'000s
Plant and equipment	655	—

£21.4 million (2013 – £17.0 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
Cost				
At 1 April 2013	—	120	—	120
Additions	1,455	189	—	1,644
At 31 March 2014	1,455	309	—	1,764
Depreciation				
At 1 April 2013	—	79	—	79
Charge	—	35	—	35
At 31 March 2014	—	114	—	114
Net book value at 31 March 2014	1,455	195	—	1,650
Cost				
At 1 January 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
Depreciation				
At 1 January 2012	1,687	5,435	—	7,122
Charge	—	10	—	10
Hive down	(1,687)	(5,366)	—	(7,053)
At 31 March 2013	—	79	—	79
Net book value at 31 March 2013	—	41	—	41

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

	31 March 2014 £'000s	31 March 2013 £'000s
Plant and equipment	—	—

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Year ended 31 March 2014

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 SA £'000s	Total
At 1 April 2013	53,900	610	1,248	79	55	55,892
At 31 March 2014	53,900	610	1,248	79	55	55,892

The aggregate of the share capital and reserves at 31 March 2014 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	—
Renshaw Napier Limited	47,043	2,056
Haydens Bakery Limited	(652)	65
Real Good Food Europe NV	(336)	(391)

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 SA	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:

	2014 Group £'000s	2014 Company £'000s	2013 Group £'000s	2013 Company £'000s
Opening position	1,514	(379)	1,974	(415)
Transfer on hive down	—	—	—	5
Income statement charge	(232)	3	122	—
Charge to equity/(credit)	85	82	(582)	31
Closing position	1,367	(294)	1,514	(379)
Shown as follows				
Liabilities	2,686	4	2,899	4
Assets	(1,319)	(298)	(1,385)	(383)
	1,367	(294)	1,514	(379)

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 2013	(188)	(383)	—	(814)	(1,385)
Charge/(credit) to income:					
— re current period	(98)	3	39	76	20
— re prior years	—	—	(39)	—	(39)
(Credit) to equity	—	82	—	3	85
At 31 March 2014	(286)	(298)	—	(735)	(1,319)
Within 12 months	—	—	—	—	—
Greater than 12 months	(286)	(298)	—	(735)	(1,319)

Deferred tax provisions

	Intangible assets £'000s	Tangible assets £'000s	Total £'000s
At 31 March 2013	953	1,946	2,899
Charged to income:			
— current period	(28)	(218)	(246)
— prior years	—	33	33
At 31 March 2014	925	1,761	2,686

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Year ended 31 March 2014

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

Company

Deferred tax assets

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

	Share Options £'000s	Total £'000s
At 31 March 2013	(383)	(383)
Charge/(credit) to income:		
— current period	3	3
— prior years	—	—
— Charge/(credit) to equity	82	82
At 31 March 2014	(298)	(298)
Within 12 months	—	—
Greater than 12 months	(298)	(298)

Deferred tax provisions

	Tangible assets £'000s
At 31 March 2013	4
Charge/(credit) to income:	
— current period	—
— prior years	—
At 31 March 2014	4

Analysis of deferred tax assets relating to share options

	2014 £'000s	2013 £'000s
Deferred tax asset to be recovered after more than 12 months	(298)	(383)
Deferred tax asset to be recovered within 12 months	—	—
	(298)	(383)

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 2014 Group £'000s	31 March 2014 Company £'000s	31 March 2013 Group £'000s	31 March 2013 Company £'000s
Materials	4,580	—	4,487	—
Work in progress	445	—	596	—
Finished goods	14,083	—	9,954	—
	19,108	—	15,037	—

Inventories totalling £19,108k (2013 – £15,037k) 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, £6.9 million (2013 – £5.6 million) of finished goods and certain raw materials have been pledged as security for borrowings; see note 23. The write-off of inventories during the period is not material.

22. Trade and other receivables

	31 March 2014 Group £'000s	31 March 2014 Company £'000s	31 March 2013 Group £'000s	31 March 2013 Company £'000s
Non-current trade and other receivables				
Amounts owed by Group undertakings	—	44,141	—	43,839
Current trade and other receivables				
Trade receivables	29,665	—	25,125	—
Less: provision for impairment of receivables	(50)	—	(105)	—
Net trade receivables	29,615	—	25,020	—
Other receivables	2,444	—	3,120	—
Amounts owed by Group undertakings	—	—	—	—
Prepayments	2,201	498	2,073	190
	34,260	498	30,213	190

Provision for impairment of receivables

	31 March 2014 Group £'000s	31 March 2014 Company £'000s	31 March 2013 Group £'000s	31 March 2013 Company £'000s
At 31 March 2013	(105)	—	(115)	(57)
Charge for period	45	—	2	—
Transfer on hive down	—	—	—	57
Uncollectable amounts written off	10	—	8	—
At 31 March 2014	(50)	—	(105)	—

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Notes to the Financial Statements continued

Year ended 31 March 2014

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 £26.1 million of the Group's trade receivables, the remaining amount of £3.2 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 £45k (2013 – credit of £2k) 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 £4.15 million were past due but not impaired, a slight decline on last year but on a higher debtor base driven by a tighter credit control programme. The ageing analysis of these receivables is as follows:

	31 March 2014 Group £'000s	31 March 2014 Company £'000s	31 March 2013 Group £'000s	31 March 2013 Company £'000s
Up to 30 days past due	3,728	—	3,804	—
1–3 months past due	355	—	119	—
Over 3 months past due	71	—	145	—
	4,154	—	4,068	—

23. Borrowings and capital management

	31 March 2014 Group £'000s	31 March 2014 Company £'000s	31 March 2013 Group £'000s	31 March 2013 Company £'000s
Unsecured borrowings at amortised cost				
Loan notes	2,774	—	2,774	—
Secured borrowings at amortised cost				
Bank term loans	7,200	7,200	8,103	8,103
Revolving credit facilities	29,262	—	21,209	—
Hire purchase	465	—	—	—
	39,701	7,200	32,086	8,103
Amounts due for settlement within 12 months	31,221	1,836	23,032	1,823
Amounts due for settlement after 12 months	8,480	5,364	9,054	6,280
	39,701	7,200	32,086	8,103

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 £37,888 and then a bullet repayment of £2,273,308 in December 2017. At the year end £4.0 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 £1.8 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 £85,720 up to December 2015. At the year end £1.7 million was outstanding under this facility.

The Group's revolving credit facilities, which are available until December 2017, comprise 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 £22.4 million, whilst the maximum permitted borrowings are £28.5 million. The inventory finance facility currently bears interest at 2.95% above base rate and at the period end £6.9 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 £0.5 million. The weighted average interest rate of these liabilities was 2% (2013 – 0%) and the weighted average period for which the interest rates are fixed was 52 months (2013 – nil months).

The Group had outstanding loan notes amounting to £2,773,908 (2013 – £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. 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

During the year the Group entered into contracts to sell sugar to customers at a fixed price in GBP. The group also enters into commodity contracts to purchase sugar and the price varies with movements in the Unofficial Sugar Conversion Rate (USCR) which is directly linked to movements in the EUR/GBP exchange rate. In order to hedge against risk of variable returns on the contract as a result of movements in the exchange rate the Group has entered into a series of forward contracts to buy euros. The contracts mature at regular intervals until 30 September 2014 when the contract ends.

The notional amount outstanding on forward exchange contracts at 31 March 2014 was 15,576,921 (2013 – Nil).

The fair value of these foreign exchange contracts at 31 March 2014 was £(499)k and this amount has been recorded as a loss within administration expenses and a derived financial liability on the statement of financial position. Offsetting against this, the fair value of the highly probable forecast transaction under the commodity contract was £499k and this amount has been recorded as a gain within administration expenses and a derived financial asset on the SOFP.

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Year ended 31 March 2014

23. Borrowings and capital management (continued)

Capital management

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

There were no changes to the Group's approach to capital management during the year although the Group has extended its facilities with its funders in previous years, most recently in December 2012 to provide additional capacity. The Group has made several changes within the facilities over recent years to "fine tune" them to meet its capital investment plans and also to allow flexibility between the invoice discounting and stock financing elements, where most of the facilities' capacity is available, to provide a more dynamic solution particularly in its sugar business but also managing its seasonal requirements.

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
2014						
Trade and other payables	29,804	3	13	191	—	30,011
Loan notes	—	—	—	2,774	—	2,774
Bank term loans	153	306	1,377	5,364	—	7,200
Revolving credit facilities	—	29,262	—	—	—	29,262
Finance leases	10	20	92	343	—	465
	29,967	29,591	1,482	8,672	—	69,712
Interest	133	266	1,197	4,387	—	5,983
Total	30,100	29,857	2,679	13,059	—	75,695
	Less than 1 month £'000s	1-3 months £'000s	3 months to 1 year £'000s	1-5 years £'000s	5+ years £'000s	Total £'000s
2013						
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	—	—	—	—	—	—
	15,133	6,620	22,622	8,993	—	53,337

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 £9k. 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 £87k.

23. Borrowings and capital management (continued)

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 £18k.

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 £369k.

Obligation under finance leases

	31 March 2014 £'000s	31 March 2013 £'000s
Finance lease liabilities – minimum lease payments		
Due within one year	122	—
Due within one to five years	343	—
	465	—
Future finance charges on finance leases	36	—
Present value of finance lease liabilities	399	—
The present value of finance lease liabilities is as follows:		
Due within one year	114	—
Due within one to five years	285	—
	399	—

It is the Group's policy to lease certain property, plant and equipment under finance leases. For the period ended 31 March 2014 the average effective borrowing rate was 4.01% (2013 – 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

	31 March 2014 Group £'000s	31 March 2014 Company £'000s	31 March 2013 Group £'000s	31 March 2013 Company £'000s
Amounts due in more than one year				
Amounts owed to Group undertakings	—	35,825	—	29,010
Accruals	191	—	—	—
	191	35,825	—	29,010
Amounts due within one year				
Trade payables	25,125	133	17,993	217
Social security	773	28	649	24
Amounts owed to Group undertakings	—	—	—	—
Accruals	1,527	26	2,308	72
Other payables	2,395	—	332	16
	29,820	187	21,282	329

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24. Trade and other payables (continued)

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.

Included within accruals greater than one year is a grant received in respect of the purchase and refurbishment of the Stallingborough site. This is being released to the profit and loss over ten years. The grant is conditional on capital expenditure and an increase in employment, of which both conditions are being met.

25. Share capital

	Number of Shares 2014	Number of Shares 2013	31 March 2014 £'000s	31 March 2013 £'000s
Allotted, called up and fully paid equity share capital				
At 31 March 2013	69,465,952	65,019,348	1,389	1,300
Issued in the period	—	4,446,604	—	89
At 31 March 2014	69,465,952	69,465,952	1,389	1,389

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

There are 9,610,473 shares reserved for issue under options, with expiry dates beyond 2014, outstanding at the end of the year.

26. Share premium and reserves

Group	Share premium account £'000s	Retained earnings £'000s	Share option reserve £'000s
Balance at 31 March 2013 excluding pension gains/(losses)	71,244	14,932	540
Retained profit for the year	—	(661)	—
Balance at 31 March 2014 excluding pension gains/(losses)	71,244	14,271	540
Shares to be issued (net of deferred tax)	—	—	(36)
Pension scheme losses	—	(394)	—
Balance at 31 March 2014 including pension gains/(losses)	71,244	13,877	504

Company	Share premium account £'000s	Retained earnings £'000s	Share option reserve £'000s
Balance at 31 March 2013	71,244	(10,216)	540
Retained loss for the year	—	(3,473)	—
Shares to be issued (net of deferred tax)	—	—	(36)
Balance at 31 March 2014	71,244	(13,689)	504

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:

	31 March 2014 Number of share options	31 March 2014 Weighted Average Exercise Price (£)	31 March 2013 Number of share options	31 March 2013 Weighted Average Exercise Price (£)
Outstanding at the beginning of the period	9,637,921	0.18	10,058,873	0.18
Granted during the year	200,000	0.39	10,000	0.50
Exercised during the year	—	—	(380,952)	(0.05)
Forfeited during the year	(227,448)	(0.35)	(50,000)	(0.46)
Outstanding at the end of the period	9,610,473	0.19	9,637,921	0.18
Exercisable at the end of the period	5,037,748	0.08	4,114,283	0.05

A breakdown of the range of exercise prices for options outstanding as at 31 March 2014 is shown in the table below:

	2014 Number outstanding at end of period	2014 Weighted average remaining contractual life (years)	2014 Weighted average exercise price (pence)	2013 Number outstanding at end of period	2013 Weighted average remaining contractual life (years)	2013 Weighted average exercise price (pence)
£0.00 – £0.50	9,610,473	1	18.56	9,637,921	1	18.49

	2014 £'000s	2013 £'000s
IFRS 2 Fair value charge	46	45
Average share price	50.8p	47.0p

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.

The share option expense is shown as an expense in administration expenses in the Company as the majority of the charge relates to employees of the Company.

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28. Commitments

Operating lease arrangements

	12 months ended 31 March 2014 £'000s	12 months ended 31 March 2013 £'000s
Minimum lease payments under operating leases recognised as an expense in the period	1,389	1,143

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

	31 March 2014 £'000s	31 March 2013 £'000s
Due within one year	1,110	1,354
Due between one and five years	2,534	2,600
Due beyond five years	1,150	1,460

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

	2014 £'000s	2013 £'000s
Commitments for the acquisition of property, plant and equipment	316	2,647

29. Related party transactions

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

Payee	Director	31 March 2014 £'000s	31 March 2013 £000's
Menton Investments	P Totté	145	366
P G Ridgwell	P G Ridgwell	55	55
The Salter Consultancy LLP	P Salter	54	99
Chris Thomas Consultancy	C Thomas	—	20
		254	540

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. 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 (2013 – £nil) at 31 March 2014.

29. Related party transactions (continued)

Transactions between the Company and its subsidiaries are as follows:

Amounts due to related parties

	31 March 2014 £'000s	31 March 2013 £'000s
Renshaw Napier Limited	35,825	29,091

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

	31 March 2014 £'000s	31 March 2013 £'000s
Real Good Food Europe SA	323	—
Haydens Bakery Limited	2,883	3,198
Napier Brown Foods Limited	40,935	40,641

31. Pensions arrangements

The Group operates one defined benefits scheme which was closed to new members in 2000. As reported last year an extension to the existing recovery plan has been agreed with “base” contribution levels for the year ended 31 March 2014 of £264k with annual increases of 3% for the following two years. In addition to this, the Group has agreed to make an additional, one-off, contribution of £166k which is payable at the rate of £11k per month starting November 2013. The Group is confident this will continue to meet the trustees’ needs and the pension regulator’s guidance.

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 2014. This has resulted in a deficit in the scheme of £3,673,000.

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.

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

	31 March 2014 £'000s	31 March 2013 £'000s	31 March 2012 £'000s	31 December 2010 £'000s	31 December 2009 £'000s
Present value of defined benefit obligation	19,033	19,153	17,085	16,212	15,945
Fair value of plan assets	(15,360)	(15,613)	(16,005)	(16,308)	(15,363)
Deficit/(surplus) in plan	3,673	3,540	1,080	(96)	582
Amount not recognised in accordance with IAS 19	—	—	—	96	—
Gross amount recognised	3,673	3,540	1,080	—	582
Deferred tax at 20% (2013 – 23%)	(735)	(814)	(259)	—	(163)
Net liability	2,938	2,726	821	—	419

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Notes to the Financial Statements continued

Year ended 31 March 2014

31. Pensions arrangements (continued)

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

	31 March 2014 £'000s	31 March 2013 £'000s
Defined benefit obligation at start of period	19,153	17,085
Interest cost	879	816
Actuarial losses	12	2,805
Benefits paid, death in service insurance premiums, expenses and past service costs	(1,011)	(1,553)
Defined benefit obligation at end of period	19,033	19,153

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

	12 months ended 31 March 2014 £'000s	12 months ended 31 March 2013 £'000s
Fair value of scheme assets at start of the period	15,613	16,005
Expected return on scheme assets	720	766
Actuarial (losses)/gains	(382)	208
Contributions paid by the Group	320	187
Benefits paid, death in service insurance premiums and expenses	(911)	(1,553)
Fair value of scheme assets at end of the period	15,360	15,613

The actual return on the scheme assets over the period ended 31 March 2014 was £338,000 (2013 – £974,000).

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

	31 March 2014 £'000s	31 March 2013 £'000s
Interest on liabilities	879	816
Expected return on scheme assets	(720)	(766)
Past service cost	(100)	—
Total income	59	50

Statement of recognised income and expenses

	31 March 2014 £'000s	31 March 2013 £'000s
Difference between expected and actual return on scheme assets: gain/(loss)	(382)	208
Experience gains and losses arising on the scheme liabilities: loss	—	(1,923)
Actuarial gains/(losses) arising from changes in demographic assumptions	352	(26)
Actuarial gains/(losses) arising from changes in financial assumptions	(364)	(856)
Total amount recognised in Statement of Other Comprehensive Income	(394)	(2,597)

31. Pensions arrangements (continued)**Assets**

	31 March 2014 £'000s	31 March 2013 £'000s	31 March 2012 £'000s
UK equity	1,977	869	483
Overseas equity	5,141	4,058	5,107
Absolute return fund	3,929	3,444	—
Bonds	1,798	2,588	2,260
Gilts	645	406	2,655
Property	301	390	434
Cash	748	1,889	1,041
Alternative assets	821	1,969	4,025
Total assets	15,360	15,613	16,005

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

	31 March 2014 % per annum	31 March 2013 % per annum	31 March 2012 % per annum	31 December 2010 % per annum
Inflation	3.30	3.20	2.90	3.10
Salary increases	—	—	—	—
Rate of discount	4.65	4.70	5.00	5.70
Allowance for pension in payment increases of RPI or 5% p.a. if less	3.20	3.10	2.80	3.10
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	2.20	1.90	1.90	3.10
Allowance for commutation of pension for cash at retirement	75% of max allowance	75% of max allowance	75% of max allowance	75% of max allowance

Assumption	Change in assumption	Change in liability
Discount rate	Increase/decrease of 0.5% p.a.	Decrease/increase by 7.0%
Rate of inflation	Increase/decrease of 0.5% p.a.	Increase/decrease by 2.0%
Rate of mortality	1 year increase in life expectancy	Increase by 4.0%

The mortality assumptions adopted at 31 March 2014 imply the following life expectancies:

Male retiring at age 65 in 2014	21.6 years
Female retiring at age 65 in 2014	23.8 years
Male retiring at age 65 in 2033	22.6 years
Female retiring at age 65 in 2033	25.0 years

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

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Notes to the Financial Statements continued

Year ended 31 March 2014

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:

	31 March 2014 £'000s	31 March 2013 £'000s	31 March 2012 £'000s	31 December 2010 £'000s	31 December 2009 £'000s
Fair value of assets	15,360	15,613	16,005	16,308	15,363
Defined benefit obligation	(19,033)	(19,153)	(17,085)	(16,212)	(15,945)
Surplus/(deficit) in scheme	(3,673)	(3,540)	(1,080)	96	(582)
Experience adjustment on scheme assets	(382)	208	(984)	578	113
Experience adjustment on scheme liabilities	—	(1,923)	(46)	387	18

Appendix

Napier Brown/British Sugar – background to the current dispute

1. Napier Brown occupies a unique position within the UK sugar supply market. There are only two producers in the UK market; British Sugar which has a monopoly of the production and supply of UK beet sugar and Tate & Lyle which refines imported raw cane sugar. Napier Brown is a distributor and marketer of sugar which it buys from multiple sources and has a 15–20% market share of sugar supply within the UK.
2. In 1988, the European Commission found that British Sugar occupied a dominant position in the market for the industrial supply of bulk, white, granulated sugar and had committed multiple abuses of that dominant position, to the detriment of Napier Brown: see Case No IV/30.178 Napier Brown - British Sugar (18 July 1988) (“**the 1988 Decision**”) (Official Journal L 284, 19/10/1988 P 0041 - 0059). The Commission imposed a fine of €3 million, notwithstanding (i) the supposedly “exemplary” behaviour of British Sugar following the receipt of a statement of objections (ii) British Sugar’s offer of undertakings to remedy the misbehaviour and (iii) the institution by British Sugar of a competition compliance programme.
3. In response to a statement of objections from the Commission proposing interim measures (as requested by Napier Brown), British Sugar voluntarily put in place a competition compliance programme, and also offered to be bound by certain undertakings (“**the 1988 Undertakings**”) including that:
 - a. British Sugar would supply a quantity of standard, industrial sugar to Napier Brown on terms and conditions acceptable to the Commission;
 - b. British Sugar recognised the need for sugar merchants (i.e. wholesalers such as Napier Brown), believed they had a useful function to perform in the UK market, and stated that it had no intention, now or in the future, of undertaking any pricing practice which may in any way damage the continued existence of the merchants;
 - c. British Sugar would engage in normal and reasonable pricing practices, in particular recognising the Commission’s concern that an insufficient margin between its prices for (i) wholesale supply (from Silver Spoon) to retailers and (ii) industrial sugar might be considered an unreasonable pricing practice.
4. As a consequence of British Sugar’s voluntary establishment of a compliance programme, its offer of the 1988 Undertakings, and what the Commission described as its “exemplary” behaviour following the statement of objections, the Commission concluded in the 1988 Decision that British Sugar had brought the infringement to an end and set the level of the fine at a level substantially lower than it would otherwise have been, namely, €3 million.
5. As a further consequence of the 1988 Decision, on 5 March 1990, British Sugar entered into an agreement with Napier Brown establishing the volumes, prices and other terms of supply for bulk, white, granulated sugar by British Sugar to Napier Brown (“**the 1990 Agreement**”). In particular, the 1990 Agreement made provision for the price for such supply to Napier Brown to be fixed by reference to the average price at which such supplies were made by British Sugar to a basket of other undertakings. That basket was constructed so as to include British Sugar’s five largest customers at the time. In addition, there was provision for independent audit of the basket and the prices.
6. For a period of over 20 years, mindful of the 1988 Undertakings and 1990 Agreement, Napier Brown has successfully purchased sugar from British Sugar. Unfortunately, over the past few years, British Sugar has not only informed Napier Brown that it believes the 1990 Agreement is no longer in force, despite neither party having sought to terminate it, but has also, in the opinion of Napier Brown, resorted to serious anti-competitive and abusive pricing behaviour. Whatever the status of the 1990 Agreement, Napier Brown believes that British Sugar is a dominant company and is hence subject to the special responsibility with which it is endowed as a dominant undertaking not to infringe the obligations contained in Article 102 TFEU.

This situation has culminated in a position whereby, for the sugar contract year 2013/14, British Sugar has imposed a price to Napier Brown, without any recourse to independent scrutiny, which Napier Brown believes to be anti-competitive and unreflecting of market realities and which thereby prevents Napier Brown from effectively competing commercially. Napier Brown’s efforts to challenge this price with BS have been rebuffed. Previously (indeed as recently as 2010) when there had been a dispute between the parties about market price levels, British Sugar had offered an independent audit of its selling prices (as provided for in the 1990 Agreement) but on this occasion this has been steadfastly refused. In February 2014, after repeated threats, British Sugar temporarily withdrew supply from Napier Brown despite Napier Brown continuing to pay over 95% of the imposed price whilst it sought to settle the dispute. Napier Brown was then forced, under duress, to pay the imposed price in order to maintain supply to its customers as British Sugar has a monopoly of UK beet sugar production.

Our Financials

Appendix continued

7. Given its concerns, Napier Brown approached the Office of Fair Trading in October 2013 to make a complaint about what it saw as pricing behaviour by British Sugar which abuses its dominant position and is not consistent with its obligations under Article 102. The Office of Fair Trading informed Napier Brown in early February 2014 that whilst it did not intend itself to take forward an investigation it had referred the case to the new Competition and Markets Authority (CMA), the relevant regulatory authority for such matters which came into being on 1 April 2014.
8. Since 1 April, Napier Brown has been in regular contact with the CMA, responding to questions and requests for information. We are doing all we can to enable the CMA to make a decision on prioritisation as soon as practical.
9. Napier Brown is confident of its case. It plays an important role in the UK sugar industry bringing competition to a market where there is a single, dominant, monopoly supplier of beet sugar and has operated in the market for the past 25 years on the basis of the EU Commission findings of 1988. As British Sugar's market share has if anything strengthened over that period it sees no reason why the 1988 Undertakings should not remain in force. It will fiercely resist any pricing behaviour designed to force it out of the market and hopes that the regulatory regime enables it to do so. If British Sugar is allowed to impose a price on Napier Brown, its largest customer, representing some 15% of its quota sales, and the UK's largest reseller of sugar, without any reference to market pricing, the consequent impact on UK customers and consumers would be significant.
10. The decision by the EU Commission that production quotas will end in 2017 is an important change for the sugar industry. In the UK this could potentially enable British Sugar, as the sole beet producer, to increase even further its dominant market share and therefore from a consumer perspective strengthens the need for competition in the market. As the import tariff regime for raw sugar is not changing it seems unlikely that the other UK producer, Tate & Lyle, will be able to increase its presence.
11. Napier Brown's long term strategy remains sound; it is committed to bringing in new sources of sugar to meet the demands of the UK market and its recent investment in a Sugar Hub at Stallingborough, near Immingham, will help it do this. This will reduce the proportion of sugar which Napier Brown buys from British Sugar. However, it also believes that British Sugar's monopoly position within the supply of UK beet sugar is unhealthy for consumer choice and competition and that this is potentially exacerbated by the ending of production quotas in 2017.

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

International House
1 St Katharine's Way
London
E1W 1XB

Registered Number

4666282

Auditor

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

Solicitors

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

Bankers

PNC Business Credit
One Silk Street
London
EC2Y 8HQ

Lloyds TSB Bank plc
5 St Paul's Square
Old Hall Street
Liverpool
L3 9SJ

The Real Good

Food Company plc

International House
1 St Katharine's Way
London
E1W 1XB

T 020 3056 1516
enquiries@realgoodfoodplc.com

www.realgoodfoodplc.com