Real Good Food plc

Annual Report and Accounts
For the year ended 31 March 2015

Stock code: RGD

Real Good Food plc

RENSHAW THE PROFESSIONALS CHOICE
RAINBOW DUST COLOURS
Garrett Ingredients
R&W Scott
Real Good Food Europe
Hayden's

Welcome

Real Good Food plc

is a diversified food business, serving a number of market sectors including retail, manufacturing, wholesale, foodservice and export.

Following the sale this year of our sugar business Napier Brown, the Group now focuses on three main markets: cake decoration (Renshaw, Rainbow Dust Colours), food ingredients (Garrett Ingredients and R&W Scott) and premium bakery (Haydens).

These businesses are underpinned by a growing sales and distribution division (Real Good Food Europe).

Investor Proposition

- Strong financial platform to facilitate future growth
- Positive cash balances, cash generative and profitable
- Three complementary business areas each with strong and established management teams and operational strategies to achieve organic growth
- Strong emphasis on product development, innovation and sales growth
- Lean central management structure and efficient use of plc status
- Proven executive management team with a track record of identifying and executing successful bolt-on acquisitions

www.realgoodfoodplc.com

Navigating the Report

For further information within this document and relevant page numbers

Additional information online

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Highlights

Operating Highlights

- Transformational disposal of Napier Brown shortly after year end, repositioning the business away from the volatile sugar market
- Continuing Group has positive cash balances and is cash generative and profitable, creating strong financial platform to facilitate future growth
- Successful acquisition and integration of Rainbow Dust Colours
- Growth in gross profit, EBITDA and operating profit in continuing operations
- Continued strong growth in sales and profitability at Renshaw
- Successful turnaround at Haydens Bakery driven by operating focus and product innovation

GROUP REVENUE
£232.9m

GROUP EBITDA
£2.0m

CONTINUING OPERATIONS REVENUE
£104.6m

CONTINUING OPERATIONS EBITDA
£5.3m

Read more in the Finance Review on pages **22** to **25**

Financial Summary
(excluding significant items)

Continuing Operations	31 March 2015 £'000s	31 March 2014 £'000s
Revenue	**104,580**	110,243
Gross profit	**25,561**	21,981
EBITDA	**5,319**	4,901
Operating profit	**3,202**	2,693

The disposal of Napier Brown took place on 19th May, seven weeks after the year end. The reported numbers for the Group including Napier Brown for the full year to 31 March 2015 are as follows:

Total Group	31 March 2015 £'000s	31 March 2014 £'000s
Revenue	**232,868**	272,576
Gross profit	**35,925**	33,389
Delivered Margin (Gross profit after distribution costs)	**20,415**	19,561
EBITDA	**1,960**	3,296
Operating profit before significant items (EBITDA less depreciation)	**(741)**	669
EPS	**(4.90)p**	(0.95)p
Net Debt	**£30.1m**	£31.1m

Following the disposal of Napier Brown for a consideration of £34 million plus working capital of £10.4 million, the Group has a net positive cash position.

Group at a Glance

Focus on three market sectors

Real Good Food plc is a diversified food business serving a number of market sectors including retail, manufacturing, wholesale, foodservice and export.

The Company focuses on three main markets: cake decoration (Renshaw and Rainbow Dust Colours), food ingredients (Garrett Ingredients and R&W Scott) and premium bakery (Haydens).

Real Good Food Europe sells and distributes Real Good Food products across continental Europe.

Read more about our Strategy on pages 6 and 7

Renshaw

A leading manufacturer of cake decoration products and premium food ingredients for the baking sector both in the UK and for export, Renshaw has a strong reputation for quality, consistency and product innovation.

Key Products and Brands

Sugarpaste, marzipan, soft icings, mallows, caramels. Customers include large food manufacturers, craft bakers, grocery and specialist 'sugarcraft' retailers both in the UK and internationally. The Renshaw brand's reputation spans all customer sectors.

More information online **www.renshawbaking.co.uk**

Read the Divisional Review on page **8/9**

Rainbow Dust Colours

Manufacturer and wholesale supplier of specialist sugarcraft and cake decorating products.

Key Products and Brands

Edible and food contact glitters. Metallic and non-metallic food paints. Specialist cake decorating powders. ProGel® food colours – concentrated colour for sugarpaste, marzipan and butter cream. Ready to use paint brushes including the unique Click-twist® brushes and the double-sided pens.

More information online **www.rainbowdust.co.uk**

Read the Divisional Review on page **10/11**

Garrett Ingredients

Sources dairy, sugar and other specialist food ingredients from across the UK, Eire and continental Europe and sells them 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.

More information online **www.garrettingredients.co.uk**

Read the Divisional Review on page **12/13**

R&W Scott

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.

More information online **www.randwscott.com**

Read the Divisional Review on page **14/15**

Real Good Food Europe

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 warehouse located in Brussels.

Key Products and Brands

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

More information online **www.realgoodfoodeurope.com**

Read the Divisional Review on page **16/17**

Haydens Bakery

Produces an extensive range of hand finished, added value bakery and dessert products. Customers include Waitrose, Marks and Spencer, Costa Coffee, Caffè Nero, Morrisons, Aldi and Food Service Distributors.

Key Products and Brands

Haydens focuses on six product groups: tarts, danish, yum yums, pies & crumbles, sweet buns and premium doughnuts.

More information online **www.haydensbakery.co.uk**

Read the Divisional Review on page **18/19**

Read more in our Finance Review on pages **22** to **25**

Chairman's Statement

"Importantly, the Group excluding Napier Brown grew its operating profit from £2.7 million to £3.2 million and the business now has significant positive cash balances"

Overview

The sale of our Napier Brown sugar business is a transformational event for the Group. Our strategy had always been to invest more in the business to make it a strong strategic asset. Since the decision by the European Commission to end production quotas it became obvious that aligning closely with a producer would be central to a successful strategy for Napier Brown. This was reaffirmed when it became clear that the competition authorities no longer felt able to give Napier Brown any protection as a non-refining independent player in the sugar market.

The sale process took many months but there was interest from a number of parties and ultimately the sale price demonstrated the strength of the business which we had built with its strong UK route to market; the retail packing facilities at Normanton; and the investment in the new Sugar Hub import facility at Stallingborough. It is also a tribute to the knowledge and experience of all the team at Napier Brown and I am pleased that they can look forward to an exciting future as part of Europe's second largest sugar group.

The total Group figures for last year were dominated by the market issues in sugar which impacted both Napier Brown and Garrett Ingredients. The first half of the year, as previously indicated, was badly affected by the problems associated with the British Sugar dispute and, while this was resolved from the start of the new sugar year (the second half of the fiscal year), the sharp fall in sugar market prices made trading conditions very tough. Despite this, Napier Brown returned to profitability. Elsewhere performance has been strong, with Renshaw and Haydens in particular growing both sales and profitability.

Importantly, the Group excluding Napier Brown grew its operating profit from £2.7 million to £3.2 million. Net debt was well controlled at £30 million at the balance sheet date and, following the sale of Napier Brown, the business now has significant positive net cash balances.

Future plans

The new Group is a smaller entity, but has a much stronger financial base to grow from and has a clear strategy for development. We are now focused on three core market sectors: cake decoration, food ingredients and premium bakery. The ongoing business is debt free, profitable and cash generative and this will enable us to invest appropriately both in our existing businesses and potentially to acquire complementary businesses in our chosen sectors.

Cake decoration is an attractive added value market both in the UK and in terms of exports. While it operates within the food sector, it also shares a number of characteristics with the growing recreational leisure and fashion markets and this insight will dictate how we continue to build our presence and market share. The acquisition of Rainbow Dust Colours Ltd earlier this year is a prime example of our strategy in action. It is a business which offers several hundred product lines to meet changing market needs and prides itself on customer service and product innovation.

Food Ingredients is a much broader sector and we will choose carefully where we can add value. At Garrett Ingredients the focus is on the SME sector for commodity ingredients (e.g. sugar and milk powders) but this service will be increasingly supplemented by higher added value products such as dairy mixes and emulsifiers. At Renshaw and R&W Scott the sale of ingredients (sugarpaste,

Above: Rainbow Dust Colours cake using Metallic Light Gold Paint and Paint It! colours

marzipan, chocolate coatings, jams and sauces) is always accompanied by 'application' support for the customer as we recognise that it is the performance of the end product that is all important.

Finally, the recent success of Haydens has demonstrated how added value can be achieved in the bakery sector. With the bakery sector moving from commodity to premium, Haydens is well placed to grow and we will investigate further how we can continue this without moving away from the core skills we have developed.

To support these three sectors and ensure that we lead in our markets, we are establishing a new Development Centre in Liverpool which will house a number of Group employees, in particular resources for product innovation and a world class training facility for cake decorating. Moving these employees away from the Renshaw site at Crown Street, as well as giving greater clarity to that operation, will enable Renshaw to configure the site to meet its growth plans. This is an exciting project which, as well as saving some costs on infrastructure at Renshaw, will enable us to develop leadership in our chosen markets.

I would like to mention one further Group initiative which has been extremely successful. We have undertaken a Leadership Development programme across all our businesses, which has been met with universal approval by all those involved. I believe strongly that having the right teams of people in each business, properly trained and properly motivated, is fundamental to our success and we will continue to ensure that employee training has a high priority across all our businesses. Our performance is a tribute to the hard work and enthusiasm of all our colleagues and I would like to thank them.

Outlook

Trading in the early months of the new financial year within our continuing operations has begun well and, with the funds from the sale of Napier Brown being received in May, we are now in a position to fast-track some of the investment opportunities we had previously identified. This will include spend on jam, sauce and pie-filling capability at R&W Scott; infrastructure at Haydens to support its growth; and increased capacity at the Renshaw site in Liverpool. We will also look at potential bolt-on acquisitions which will help build our presence in our chosen markets, but only where there is a sensible financial and operational investment case.

Overall, the business is in great shape and we look forward with great optimism.

Pieter Totté
Executive Chairman

NAPIER BROWN
SUGAR SPECIALISTS

The decision to dispose of the Napier Brown sugar business was taken during the course of last year. The announcement by the European Commission that sugar beet production quotas would end in Europe from 2017 and the realisation that the Competition Authorities both in the UK and Brussels, while sympathetic to Napier Brown's position as a non-refining independent, were not able to guarantee a level of protection which we had previously assumed, made it clear that the business required a direct link with a producer in order to secure competitive supplies. It soon became clear that this would involve a full sale and discussions were held with various interested parties before a sale was agreed with Tereos on 29 April with completion of the disposal taking place following shareholder approval on 19 May.

The performance last year of Napier Brown (overall EBITDA was £3.4 million negative) was affected adversely in the first half of the year by the dispute with British Sugar. In the second half of the year, while the British Sugar supply position was rectified, the further reductions in market prices caused significant pressures.

While the business retained its strong retail position, it chose not to chase prices lower in the industrial sector where volume declined. Despite this, the business returned to a small profit for the second half. The import facility at Stallingborough has been operating effectively and further capital investment was made at the Normanton packing plant designed both to reduce labour costs and increase flexibility and thereby improve customer service.

With a significant production deficit in the UK still likely following the ending of production quotas, Napier Brown is well placed under the ownership of Tereos, Europe's second biggest producer, to develop its market position.

The funds received from the sale of Napier Brown were £34 million plus working capital at completion of £10.4 million.

Group Strategy

Three pillar markets

RGF is a diversified food business and,following the sale of the Napier Brown sugar business, is focused on three pillar markets: cake decorating, food ingredients and premium bakery. All these markets have the benefit of being spread across a broad spectrum of trade channels: mainstream retail, specialist retail, manufacturing, wholesale, foodservice and export. All are also showing growth. It is proposed that all investment funds, either for capital projects or acquisition, will be focused on building RGF's scale and presence in these market sectors.

Stand-alone business units

RGF's model is to run stand-alone business units run by local management teams responsible for delivering plans agreed by the Group. The Group provides expert support to these local teams as required in marketing, product innovation, technical, human resources, information technology and the management of major capital investment projects.

Market-led strategies

RGF's mission is to transform all its businesses to make them genuinely market-led, through a deep understanding of its chosen markets, the trends and the opportunities, using the manufacturing capability and technical expertise which sits in the businesses to pursue growth plans.

Above: Royal iced cookies using Rainbow Dust Colour Flo colours

New Group Development Centre delivering expert support

Each individual business has its strategic priorities; see chart below. In addition, the Group manages a range of initiatives to support these. In 2015/16 it is proposed to upgrade the facilities of the Group Innovation and Development team by relocating them to a separate site in Liverpool. This will free up space at the Crown Street site for Renshaw to expand its business and ensure that the Group has world class development facilities. It is proposed to incorporate into this site a Cake Decorating School which will be a centre of excellence for this growing market sector.

Business	2014/15 revenue	Key strategies and plans	Read more
Renshaw	£46.7m	• Grow export and B2B • Upgrade product offering • Invest in new flexible capacity	See page 8/9
Rainbow Dust Colours	£0.8m*	• Develop management team • Grow export sales • Upgrade warehouse	See page 10/11
Garrett Ingredients	£18.2m	• New sources of Dairy • New added value ingredients • Develop logistics offering	See page 12/13
R&W Scott	£8.8m	• Complete business segregation • Build B2B jam offering • Implement site investment plan	See page 14/15
Real Good Food Europe	£1.7m	• New warehouse • Rainbow Dust offering • Open up new countries	See page 16/17
Hayden's	£28.4m	• New product development • Develop new customers • Invest in site infrastructure	See page 18/19

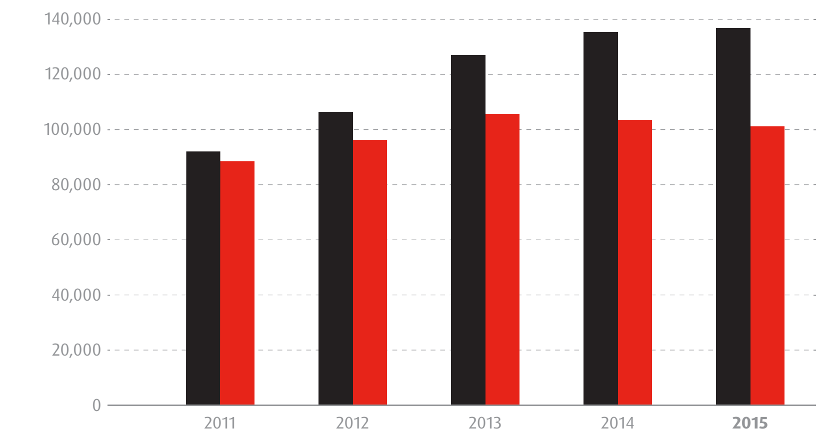
* 3 months only

The home baking market

This market has been in growth for a number of years as UK consumers have rediscovered the joys of home baking. This trend has been fuelled by much activity in all types of media, from The Great British Bake Off to many initiatives on social media. A poll by The Grocer showed that 42% of adults bake every week, with Mintel suggesting that over three quarters bake at least once per year. The market is a complex one, with a range of consumer types from the more expert, semi-professional to complete novices. Increasingly it has become as much a leisure and hobby market as a food market, with parents and grandparents using home baking as entertainment for children, or retired and semi-retired consumers making it a regular pastime.

Within the total home baking market, the fastest growing sector has been cake decorating, which has grown in value by nearly 50% between 2011 and 2015 (Kantar). The pace of growth has slowed slightly in retail over the past couple of years but this has presented opportunities in other sales channels (e.g. specialist sugarcraft), while there is considerable interest in new products, such as Rainbow Dust's edible colourings, which can help sustain the market momentum.

Total Cake Decorating Market
52 w/e January



	2011	2012	2013	2014	**2015**
Value (£000's)	91,867	106,236	126,941	135,253	136,591
Volume (Packs 000's)	88,232	96,080	105,424	103,256	100,934

Source: Kantar

Above: Cookies decorated with Rainbow Dust Colours Metallic Paint and Edible Glitter

Divisional Business Reviews

Below: Bug cupcakes made from Renshaw coloured Ready to Roll Icing

Neon cake covered with Renshaw Ready to Roll Jet Black Icing and flowers made from the Renshaw Neons Ready to Roll Icing

Right: Renshaw Daisy Cake made with Renshaw Natural Marzipan Paste and Renshaw Ready to Roll Icing

Renshaw

Case History

Efficiency wins at Renshaw

One of the main challenges for the manufacturing team has been to look at ways of getting more production out of the existing plant facilities. One idea was to sell all pack sizes of B2B sugarpaste in multiples of 2.5kg rather than individual sizes of 2.5kg, 5kg and 10kg. By being able to consolidate all volume in this one size there was the opportunity to automate and reduce cost as well as giving the customer greater flexibility and a more reliable product. The capital investment was easily justified by the greater line speeds, reduced units cost, lower wastage and a reduction in customer complaints.

This project won the North West Regional Business Efficiency Award at the EEF Future Manufacturing Awards.

eef FUTURE MANUFACTURING AWARDS 2014 Regional Winner

2014/15 performance

Sales revenue was up by nearly 9% on the previous year, with all trade sectors contributing. Export sales were particularly strong, with growth across the three main territories of Europe (via Real Good Food Europe), the US and Australia. Operationally the business coped well with the increased volumes. EBITDA increased to £6.1 million, over £600,000 up on the previous year.

While there are some indications that overall growth in the home baking market is beginning to plateau, the interest in cake decoration continues to be buoyant, with consumers aspiring to improve their skill levels. The market is also increasingly influenced by trends in leisure and fashion – the Renshaw product offerings will reflect this going forward. A number of product initiatives were developed during the year, including soft fondants and coloured marzipans.

Future plans

While growth is anticipated across all trade channels, the two major areas of growth opportunity identified for the coming year are foodservice and export. The foodservice market is large and fragmented and Renshaw has restructured its sales and marketing resource to focus on product applications. In export, Renshaw will work very closely with Real Good Food Europe to ensure that the product offering is tailored to the local market needs. In all sectors, the market is fragmenting and the product offering needs to be increasingly bespoke. This has important implications for our investment plans so a project is under way to consider the manufacturing implications to ensure that the business is geared up operationally to meet the customer needs.

For further information go to **www.renshawbaking.com**

"Last year brought sales growth across all channels. We see further new opportunities in business to business and export"

Robin Mountain
Managing Director

ESTD 1898

RENSHAW

THE PROFESSIONALS CHOICE

REVENUE	EBITDA	OPERATING PROFIT
£46.7m	£6.1m	£5.2m

12 months to March	2013/2014 £ms	**2014/2015 £ms**
Revenue	43.00	**46.70**
EBITDA	5.50	**6.13**
Operating (loss)/profit	4.40	**5.15**
Operating profit %	10.2	**11.0**

FOOD **FACT**

41% of men bake at least once per week

Divisional Business Reviews

Below: Marzipan fruits coated with Rainbow Dust Colours Edible Silk Lustre powders

Right: Rainbow Dust Colours cake, the purple coloured with Pro Gel, the gold Edible Silk Lustre, flowers painted with Double Sided pens

Rainbow Dust Colours

Case History

Colours, Colours, Colours...

The future for Rainbow Dust is bright; the future is orange, and red and green and blue and yellow and indeed many other colour shades. One of the key elements of the Rainbow Dust Colours business is that each of its product ranges is available in a very large range of colours. One retail customer which has recognised this is Hobbycraft, which now has over 80 stores across the country. Some of their stores stock no less than 83 Rainbow Dust Colours lines, ensuring that their customers get the choice which they are demanding. This has led to increased category sales. Rainbow Dust is constantly reviewing its colour ranges in line with changing fashions.

2014/15 performance

The business was acquired in January so traded with the Group for less than three months in that time, contributing £760,000 of revenue with an EBITDA of £400,000. While it operates in a similar market to Renshaw, its business model is very specific, with a wide product range focused on the 'sugarcraft' sector both in the UK and Europe. The brand has a loyal following amongst expert cake decorators and the business has successfully developed its range of coloured edible decorations in a number of formats (dustings, glitters, etc.), all presented in a wide range of colours. The business also trades strongly through its trade website and makes good use of social media.

COLOUR FLO
Liquid Food Colour/Air Brush Colour
By Rainbow Dust Colours

Future plans

While the owners, Gary and Carol Brown, are remaining with the business, a succession plan has been put in place with the appointment of David Grieve as Managing Director. David is well known in the 'sugarcraft' sector and is working up a plan to develop a specialist offering to these customers across both Renshaw and Rainbow Dust. Equally, with approximately 50% of sales exported there is big potential in Europe and plans are being developed with Real Good Food Europe to maximise this opportunity. The new 'Paint It!' range of opaque colours was launched earlier this year and a number of new products are planned.

In line with the growth plans, a more structured management team is being created, with a Finance Manager already appointed.

For further information go to **www.rainbowdust.co.uk**

"There is a big opportunity to work together with Renshaw selling to the 'sugarcraft' sector both in the UK and abroad"

David Grieve
Managing Director

RAINBOW DUST COLOURS

REVENUE	EBITDA	OPERATING PROFIT
£0.8m	£0.4m	£0.4m

3 months to March	2013/2014 £ms	**2014/2015 £ms**
Revenue	0.00	**0.75**
EBITDA	0.00	**0.43**
Operating (loss)/profit	0.00	**0.42**
Operating profit %	0.0	**56.0**

FOOD **FACT**

There are over 70 different colours in Rainbow Dust's 'SPARKLE' range of food contact glitters

Divisional Business Reviews

Below: Garrett Ingredients provides a range of sugars and UHT ice cream mixes

Right: A key focus of Garrett Ingredients is the ice cream industry

Garrett Ingredients

Case History

We all scream for ice cream...

The new team at Garrett Ingredients decided for the first time in many years to take a stand at the Annual Ice Cream Alliance Exhibition in Harrogate in February. Garretts is a major supplier to the ice cream sector and this is the premier event of the industry. Garretts wanted to make a big impact and chose a seaside theme with colourful bunting. There was even a huge ice cream cake (supplied by Renshaw) as the centrepiece. The stand attracted a lot of attention and was awarded the best newcomer award at the exhibition. Garretts left the show with a number of new sales leads and has booked up again for next year.

Left: Winning the 'Best New Exhibitor' award at The Ice Cream Alliance Expo February 2015

2014/15 performance

The business was hit by dramatic deflation in both of its core commodity markets, dairy and sugar. Excess sugar stocks in Europe had a particular impact on the 'Spot' market, which is Garretts' main focus, while the dairy market was also hit by price falls caused by a combination of factors including the weather and the EU sanctions against Russia. Both volumes and revenue fell significantly and, while trading margins were well managed, EBITDA fell accordingly. Overheads were well controlled, though ahead of the previous year given the decision to strengthen the management team.

The new management team is working well, with considerable focus being given to being able to operate on a fully stand-alone basis completely independent of Napier Brown. All distribution operations were withdrawn from the Napier Brown site in the autumn of 2014. This process was completed by the year end. The business undertook a new engagement with its customers at the Ice Cream Alliance Exhibition in February and will look to build on this.

Future plans

The business's vulnerability to significant changes in commodity prices was exposed during the last year and it is reassuring that, despite being hit with exceptional circumstances simultaneously in both dairy and sugar, it still returned a profit. The new management team is working on a strategy to support its commodity trading operation with other added value products and services, with a number of initiatives being pursued focusing on the needs of its customer base.

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

"Both the sugar and dairy markets have been difficult but the business is now well placed to develop added value offerings"

Andy Birkett
Managing Director

Garrett Ingredients

REVENUE	EBITDA	OPERATING PROFIT
£18.2m	£0.5m	£0.5m

12 months to March	2013/2014 £ms	2014/2015 £ms
Revenue	30.40	18.20
EBITDA	1.20	0.54
Operating (loss)/profit	1.20	0.52
Operating profit %	4.0	2.9

FOOD FACT

The UK has over 1,000 businesses manufacturing ice cream

Divisional Business Reviews

Below: Pie fillings, Reduced Sugar jam and Scott's Fruity Chocolate Flavour spread

Right: Delicious jam tarts

R&W Scott

Case History

Nice as pie filling...

R&W Scott has been looking to extend its presence in the jam market by talking with foodservice customers about supplying jam in 2.5kg tubs. During this process a number of customers enquired about whether R&W Scott could supply 'pie fillings'. Research into this market soon concluded that this was a product area with significant scale and, with some modifications, aligned strongly with R&W Scott's manufacturing capability in fruit preparations. The main difference from jam preparation is the importance of fruit integrity, with a more gentle heat transfer and folding and stirring required. Initial investment of £140,000 has been made in the necessary specialist equipment, with plans for additional spend to increase capacity in 2016 as sales opportunities come through. The first sales contract began in August 2015.

2014/15 performance

Sales volumes were marginally ahead of the previous year though revenue was slightly down reflecting deflation in chocolate coatings. EBITDA was just below break-even and below the previous year reflecting a planned increase in overheads as management was recruited to build a sustainable stand-alone business. A major foodservice contract was gained in jam which will give the business significantly increased scale in this market, and will have beneficial consequences in terms of purchasing and manufacturing. Servicing this contract caused a number of operational cost challenges in the year but these have now been rectified and the business is now well placed to develop its jam offering to a wider customer base.

Following the strategy of turning R&W Scott from a purely manufacturing operation into a fully fledged stand-alone business, significant investment was made in sales, technical and finance resource leading to the increase in overheads which accounts in full for the decline in EBITDA over the previous year.

Future plans

The development of the foodservice jam business has led to a new opportunity in pie fillings, sales of which began during the summer. On the retail side, listings have been achieved for a Scott's chocolate spread and a re-launch of the jam ranges, focusing on the 'no added sugar' proposition which has been well received. Inter-company sales are also increasing, with supplies to Haydens particularly strong. The business is also working closely with Renshaw on pursuing opportunities in the foodservice channel with backing from the Group development team.

For further information go to **www.randwscott.com**

"The new business which we won last year has transformed our scale in jam and pie fillings and we are well placed to build on this"

John Easton
Managing Director

R&W Scott est 1880 CARLUKE~SCOTLAND

REVENUE	EBITDA	OPERATING LOSS
£8.8m	£0.0m	£0.3m

12 months to March	2013/2014 £ms	**2014/2015 £ms**
Revenue	9.10	**8.76**
EBITDA	0.30	**(0.03)**
Operating (loss)/profit	0.10	**(0.26)**
Operating (loss)/profit %	1.1	**(3.0)**

FOOD **FACT**

61% of jam and 76% of marmalade is consumed at breakfast

Below: Selection of European adverts. Rainbow Dust Colours Plain and Simple powder pots

Right: Rainbow Dust Colours cake with Light Gold Metallic Food Paint and Gold Edible Glitter

Real Good Food Europe

Case History

The Grand Tour

Brussels, Milan, Barcelona, Utrecht, Vienna, Hamburg, Paris, Marseilles, Madrid… it reads like a European Grand Tour and that is what it is. RGFE is planning to exhibit at trade shows in all these cities in the coming year as the spearhead of its marketing effort. The cake decorating market is growing throughout Europe and RGFE is a new business which wants to showcase its Renshaw and Rainbow Dust Colours brands. The shows vary from those which feature general 'hobby' pastimes to those which are focused just on cake decoration. Now RGFE has two major brands to represent, it is designing a new stand with a built-in demonstration area which will enable it to make the most of this initiative.

2014/15 performance

Sales grew to £1.7 million over the year, with the business just moving into a break-even EBITDA by the end of the year. The major product focus has been on the Renshaw ranges of coloured sugarpastes and marzipans, and the main geographic focus on Benelux, France and Spain. The main marketing effort was directed at trade and consumer cake shows across Europe, which are becoming increasingly popular.

The development of a multilingual sales team each with a country focus has worked well and the move to a warehouse on the outskirts of Brussels was successfully implemented.

Future plans

The great benefit of having a local operation is the increased market knowledge and understanding gained. It is clear that the opportunity for cake decoration products is significant but a degree of bespoke product and packaging (e.g. multilingual labels) will be required to maximise this opportunity. The Rainbow Dust Colours range also presents an enormous opportunity both with existing customers and in attracting new ones.

To this end the business moved to slightly larger premises on the same industrial estate in June and is investing in local labelling to ensure the customers receive the product and format they need.

This will increase costs in the short term but will also help fast-track the growth plans. Marketing investment will again focus on trade and consumer cake shows where the two brands, Renshaw and Rainbow Dust, will be presented together.

For further information go to **www.realgoodfoodeurope.com**

Left: Consumers at the Creativa Brussels Exhibition

"The Rainbow Dust Colours product range will help us open doors with new customers in the coming year"

Thierry Dubois
Managing Director

Real Good Food
Europe

REVENUE	EBITDA	OPERATING PROFIT
£1.7m	£0.0m	£0.0m

12 months to March	2013/2014 £ms	2014/2015 £ms
Revenue	0.50	1.74
EBITDA	(0.40)	(0.04)
Operating (loss)/profit	(0.40)	(0.05)
Operating profit %	(80.0)	(2.9)

FOOD FACT

The Great British Bake Off in Holland is called 'Heel Holland Bakt' which translates as 'All Holland Bakes'!

Divisional Business Reviews

Below: New identity to focus on Haydens' six core product sectors
Right: A selection of Haydens mini tarts

Haydens Bakery

Case History
The 'Real Good Bun'

We are always looking at opportunities for our businesses to work together and a number of initiatives have progressed in the past two years, with R&W Scott in particular producing a number of ingredients for Haydens. Perhaps the best example is the launch by Haydens of a soft iced toffee bun in Caffè Nero. This product developed by the Haydens team includes fondant from Renshaw, toffee, caramel and butterscotch sauce from R&W Scott and sugar from Garrett Ingredients! Now they will be looking at opportunities to add a bit of sparkle with the Rainbow Dust range. That really would be a 'Real Good Bun'!

2014/15 performance

Haydens posted modest sales growth of 4% on last year but this masks a dramatic change in product mix following the decision to exit a number of product categories and focus on five main sectors. Sales in three of these sectors – Danish and viennoiserie, pies and crumbles, and tarts – all showed increases of over 20% YOY. This major strategic change has paid dividends in terms of product quality, manufacturing efficiencies and profit performance, which showed solid progress. EBITDA, at £1.25 million, was up by over £300,000 on the previous year.

The parallel objective of broadening the customer base was also achieved with three new national customers being served in the year: Aldi, Caffè Nero and Asda. Considerable investment was made in training across the business from management leadership training to health and safety awareness and specific skills training, such as customer service techniques.

Left: Soft iced toffee buns made with ingredients from across the Real Good Food Group

Future plans

With the new strategy now ingrained, the business has reviewed its vision and identity as it presents itself to a wider customer base. This new identity will be presented to customers in the autumn of 2015. There are plans in place to invest in the bakery to ensure it has the capability to manage the growth as well as continuing to develop employee skills across the business, with a particular focus on customer facing functions. The commercial team is being expanded in line with the growing number of customers and a number of new products are planned, including mini tarts and injected yum yums.

For further information go to **www.haydensbakery.co.uk**

"The strategy of focusing on our six core categories and selling these to a wider customer base has transformed our business"

John Larsen
Managing Director

Haydens
DELIVERING NAUGHTINESS
SINCE 1976

REVENUE	EBITDA	OPERATING PROFIT
£28.4m	£1.3m	£0.4m

12 months to March	2013/2014 £ms	2014/2015 £ms
Revenue	27.30	**28.36**
EBITDA	0.90	**1.25**
Operating (loss)/profit	0.10	**0.44**
Operating profit %	0.4	**1.6**

FOOD **FACT**

Haydens can produce over one and a half million mini 50mm tarts every week

Corporate Social Responsibility

A member of

BUSINESS IN THE COMMUNITY

Business in the Community

Real Good Food is a member of 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 now completed a diagnostic exercise to benchmark where we stand against best practice within the industry. From this each business has assessed its priority areas and is producing an annual action plan. A meeting is held annually with the Group Executive team and CSR champions within each business in order to share best practice and ensure that each business is making progress against the Group policy.

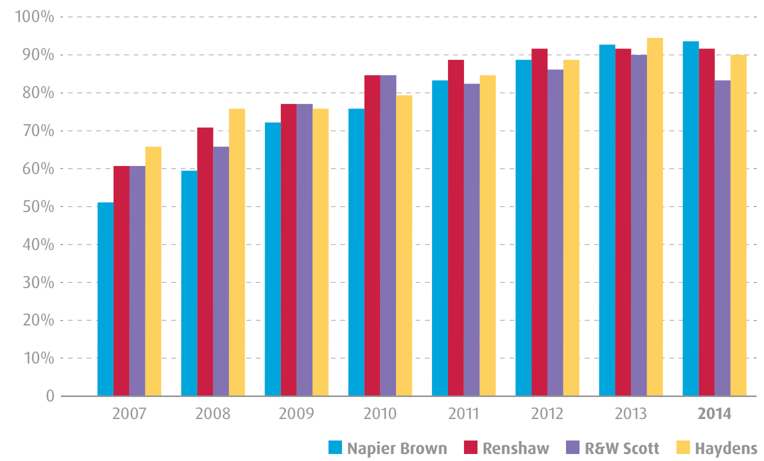
Looking after our people

Health & Safety

Safety performance has shown consistent improvement across the board in RGF, with all manufacturing sites attaining above 90% on the external audit score in 2013. As a result, it was decided to set new benchmarks and toughen the criteria by some 10 percentage points. In this context the 2014 scores were encouraging, with both Napier Brown and Renshaw maintaining their scores despite the toughened criteria and R&W Scott and Haydens dropping back but by less than the benchmark. We are confident that these tougher measures will ensure that our commitment to continuous improvement in our safety standards is maintained.

Real Good Food Health and Safety Audit Scores

2007–2014



Talent Management

The new PDR (Performance and Development Review) process is now fully embedded across all the business, ensuring that people are given the opportunity to develop their careers and enabling us to identify individuals with particular talents. This enables each business and the Group as a whole to manage succession planning. Despite the fact that many of our businesses are in different geographical locations, we have examples of individuals who have moved between Group businesses to take up opportunities to further their careers.

Training and Development

The Leadership Development Programme began at Napier Brown and Renshaw in 2013 and was rolled out to both R&W Scott and Haydens during 2014. It has been universally well received, with a positive impact on performance demonstrated in each business. This has now cascaded to the next level of management at both Renshaw and Haydens and there are plans in place to extend it to the other smaller businesses during the next 12 months.

Engaging with Local Communities

Charitable Giving

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

As usual there were a number of activities and initiatives across the businesses. These included:

- Sponsorship of the Carluke ‘Jam and Ham Festival’ by R&W Scott.
- Renshaw raised money for two local charities, Zoe’s Place, a hospice, and WEb, as well as contributing to a local nursery to buy a defibrillator.
- Napier Brown continued to raise money for the Yorkshire Air Ambulance and added Help for Heroes as their national charity.

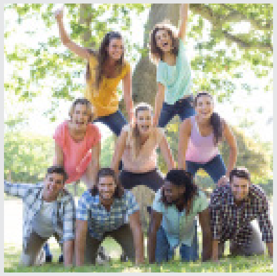
Real Good Food Recipe Values

The 'MAD Awards' (Made a Difference) scheme is designed to recognise any colleague who it is believed has 'gone the extra mile' and as such fully lived up to the corporate 'RECIPE' values. The scheme is in place at Renshaw, R&W Scott and Haydens, with imminent launches at both Garrett Ingredients and Rainbow Dust Colours. It enables anyone to nominate any colleague for an award which is judged by the local Boards on a regular basis throughout the year. At Renshaw there were so many nominations and so many deserving cases that double the number of awards were given than planned. Renshaw also have an annual 'SuperMAD' award, effectively the 'best of the MADs'. The Group will be building further upon the MAD Awards initiative throughout the coming year.


RESPECT


EXCELLENCE

CUSTOMER FOCUS


INVOLVEMENT


PRIDE


ENTHUSIASM

RESPECT
We treat each other as we want to be treated

EXCELLENCE
We challenge, innovate and change

CUSTOMER FOCUS
We all have customers and each one counts

INVOLVEMENT
One team, one vision, one voice

PRIDE
We are proud to be part of Real Good Food PLC

ENTHUSIASM
We can. We will. We do.

- Haydens sponsored the Wiltshire Air Ambulance.
- Garrett Ingredients helped support a local primary school and Brainwave, a mental health charity.

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. Our new Cake Decorating Academy in Liverpool will enable us to increase the frequency of this activity and we are planning to investigate partnerships with local colleges with the objective of creating a world class centre of excellence in cake decorating.

Operating Responsibly and Sustainably

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 audit 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 audit will monitor performance and progress in all these areas and our sites will work towards achieving ISO 14001 accreditation. Each site is at a different stage of implementation but a number of notable headlines were achieved around the Group:

- Haydens is now achieving 'zero waste' to landfill
- Carluke is meeting the Waste (Scotland) regulations 2011 which came into force in 2014, separating out all waste into recyclable streams.
- Liverpool is also segregating wastes and as a result is generating valuable rebates from new waste categories such as hard plastics

All sites continue with energy reduction programmes which beat the Climate Change Levy targets and we are planning further capital investment to extract further savings from reduced energy consumption.

Ethical Trading

Our commitment to the Ethical Trading Initiative was underlined during the year with successful ethical audits (both planned and unplanned) at our sites in Liverpool, Normanton and Devizes.

Finance Review

"The disposal of Napier Brown effectively clears the Group's debt, leaving it with a cash surplus after disposal costs"

Overview

The current year's results to March 2015 are still dominated by the dispute with British Sugar which affected the 'sugar year' October 2013 to September 2014. The overall reduction in EBITDA from £3.3 million last year to £1.9 million this year is driven by the Napier Brown performance where a loss of £3.4 million was incurred, a deterioration of £1.8 million over the previous year.

EBITDA at £5.3 million for continuing operations was encouraging, up £0.4 million year on year, including three months of Rainbow Dust Colours which was acquired in January 2015.

The impact of the disposal of Napier Brown in May 2015 on the Group is demonstrated by breaking out the key 'Income' comparatives for continuing operations in the table below and with additional commentary on the March 2015 Working Capital and Net Debt positions.

The disposal is transformational in removing the uncertainty around the future of Napier Brown as it approaches further structural change in the sugar industry in 2017. In addition, it effectively clears the Group's total debt position of approximately £30 million, leaving the Group well placed to focus on the remaining more added value activities.

At the start of 2015, Rainbow Dust Colours Ltd was acquired for an initial £4.0 million with a contingent consideration of £3.5 million. Included in these accounts is Goodwill of £6.2 million based on assets acquired of £1.3 million, Sales of £0.8 million, Operating Profit of £0.4 million for the three months to end of March 2015 and acquisition costs of £0.28 million included within significant items (note 6).

Revenue

Group revenue from continuing operations for the 12 months to 31 March 2015 was £104.6 million, a reduction of 5.1% on the 12 months to 31 March 2014 mainly driven by the fall in commodity prices within Garrett Ingredients.

Key Comparatives (excl. significant items)

	31 March 2015			31 March 2014		
	Continuing £'000s	**Napier £'000s**	**Total £'000s**	Continuing £'000s	Napier £'000s	Total £'000s
Revenue	**104,580**	**128,288**	**232,868**	110,243	162,333	272,576
Gross profit	**25,561**	**10,364**	**35,925**	21,981	11,408	33,389
Delivered Margin (Gross profit after distribution costs)	**19,989**	**426**	**20,415**	17,696	1,865	19,561
EBITDA*	**5,319**	**(3,359)**	**1,960**	4,901	(1,605)	3,296
Operating profit* (EBITDA less depreciation)	**3,202**	**(3,943)**	**(741)**	2,693	(2,024)	669
Operating profit %	**3.1%**	**(3.1%)**	**(0.3%)**	2.4%	(1.1%)	0.2%
(Loss)/profit before taxation*	**2,101**	**(4,788)**	**(2,677)**	2,078	(3,070)	(992)

* before significant items

Opposite: Rainbow Dust Colours

Margins

Overall delivered margin for the year at £20.4 million was up £0.9 million on the prior year, with extremely positive growth across continuing operations of £2.3 million over the prior year diluted by the £1.4 million reduction in Napier margins.

Loss before Tax and Interest

Overall we generated a loss before tax, finance costs and significant items for the year of £0.7 million (Operating profit before significant items), an increase in loss of £1.4 million over the previous year driven primarily by the £1.9 million reduction in Napier Brown. It was pleasing to see continuing operations increase by £0.5 million over the prior year.

Financing Costs

Financing costs for the year at £1.7 million were largely in line with the prior year.

Significant Items

During the year the Group incurred one-off costs of £0.85 million which included £0.28 million of acquisition costs for Rainbow Dust Colours and £0.57 million for changes at executive level associated with the Napier disposal.

Working Capital and Net Debt (including Napier)

	31 March 2015 £'000's	31 March 2014 £'000's
Working Capital	**37,013**	46,941
(Fixed assets/stock/trade debtors & trade creditors)		
Net Borrowings (incl. Cash)	**30,140**	31,133
Net Debt/EBITDA	**15.4**	9.5

Cash Flow and Debt (including Napier)

Working Capital levels reduced by £9.9 million during the year, with the dominant factor the significant reduction in the cost of sugar which fell by approximately 25% year on year. Within this, fixed assets were down a net £1.0 million with capital expenditure less than the £2.7 million depreciation and amortisation level – the balance, a reduction of £9.8 million, being the movements across the more fluid stock, debtor and creditor positions all dominated by the reduction in sugar prices year on year.

Finance Review (continued)

Net Debt (after Cash) as at 31 March 2015 was at £30.1 million, down £1.0 million on the prior year (31 March 2014 – £31.1 million) with the dip in cash generation on lower profitability offset by lower working capital levels overall.

Our ability to service the debt remained, despite the significant deterioration in the Debt ratio (Net Debt to EBITDA) from last year, especially with the subsequent disposal of Napier Brown which effectively clears the Group's debt, leaving it with a cash surplus after disposal costs.

Pensions

The Group operates one defined benefits scheme which was closed to new members in 2000. A recovery plan is in place 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 remains confident it continues to meet the trustees' needs and the pension regulator's guidance, with contributions for the year commencing April 2015 expected to be £282k in line with the recovery plan.

Above: Rainbow Dust Paint It is a non-metallic, opaque paint that performs just like traditional artists paints, only it is edible

The latest IAS 19 valuation as at March 2015 indicates a £5.7 million deficit, an increase of £2.0 million since March 2014. The scheme assets at £16.1 million increased by £0.8 million over the previous year, with the increase in the deficit driven by the reduced discount rate of 3.45% v 4.65% when applied to future defined benefit obligations.

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, all based on continuing operations, are set out below:

	31 March 2015 £m	31 March 2014 £m
Revenue growth[1]	**(5.1%)**	2.6%
Operating margin[2]	**3.1%**	0.2%
Debt cover (Net Debt / EBITDA)[3]	**5.6**	9.5
Interest cover[4]	**6.0**	8.4
Health & Safety score[5]	**88%**	92%

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 continuing 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 and in 2014 the measures were reset at a higher level, effectively toughening the measures by approximately ten percentage points.

Risks and Uncertainties

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

a) Key Customers

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

b) Raw Materials

Raw materials used by the Group are subject to price fluctuations. The operating divisions typically purchase these items on forward contracts, providing cover for some months ahead generally and in particular to lock in commitments with sales contracts on a 'back to back' basis.

c) Sugar Regime

As reported in previous years, the Sugar Regime and the reforms it has been going through – including the next key milestone in 2017 when beet production quotas end – has presented the Group with a sustained period of uncertainty. Napier Brown isn't a sugar producer and is reliant on sourcing from competitive and sustainable sources, which proves more challenging in a market going through structural change. Following the disposal of Napier Brown in May 2015, the Group still requires sugar for use in all its production facilities but is no longer exposed as a 're-packer and distributor'. The ongoing procurement of sugar will be subject to the same risk management steps as with all other major raw materials.

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 with the exception of Rainbow Dust Colours Ltd which has SALSA accreditation, which is more appropriate for a company of its size.

e) Health & Safety

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

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

Health and Safety continues to be discussed at all monthly divisional reviews and reported to the Group Board twice annually.

As reported elsewhere in this annual report, the external audit regime has been reset with tougher benchmarks and safety criteria to ensure we maintain improvements.

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 market data in order to track changes in consumer trends.

h) Bribery Act

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

Mike McDonough
Finance Director

Board of Directors...

Pieter Totté
Chief Executive

Ingredients: 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 RGF 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 RGF and has developed strong management teams across all the businesses, allowing him to devote more time to the strategic development of the Group.

Mike McDonough
Group Finance Director

Ingredients: 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 RGF. He joined the Board as Group Finance Director of RGF plc in 2009.

Peter Salter
Non-Executive Director

Ingredients: 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

Ingredients: 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.

Jacques d'Unienville
Non-Executive Director

Ingredients: 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.

Christopher Thomas
Non-Executive Director

Ingredients: 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.

Executive Team...

Heather Billington
Group HR Director

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

David Newman
Company Secretary

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

David Wright
Group Operations Director

Ingredients: David joined Real Good Food in 2006 as Operations Director of Renshaw. In early 2012 he was invited to join the Real Good Food management board as Group Operations Director. As well as coordinating health and safety and capital expenditure, David's role is to manage and implement strategic projects and deliver the operational needs of the business to meet the future growth plans.

Andrew Brown
Group Brand and Marketing Director

Ingredients: Andrew joined Napier Brown Foods as Managing Director in August 2008. He has over 30 years' experience within the food industry; he was marketing director at British Bakeries and Manor Bakeries and then managing director at both Manor Bakeries and RHM Cereals. Andrew moved to his current role in June 2012 to drive the Group's 'market-led' agenda.

Report of the Directors

The Directors present their report and the audited financial statements for the 12 month period ended 31 March 2015. The transformational impact of the Napier disposal is commented on in this section to assist in understanding the Group's 'continuing position.'

Statement of Directors' responsibilities

The statutory Directors are responsible for preparing the Strategic Report, 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, 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 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 8 to 19. The financial position of the Group, its cash flows and liquidity position are described in the Finance Review on pages 22 to 25. 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 had a long term banking arrangement with PNC Business Credit and this, together with customer contracts and supplier agreements, enabled the Directors to believe that the Group is well placed to manage its business risks. Note following the disposal of Napier Brown the Group's outstanding loans with PNC were repaid in full, with Lloyds Bank plc remaining as the sole provider of clearing facilities and funding.

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.

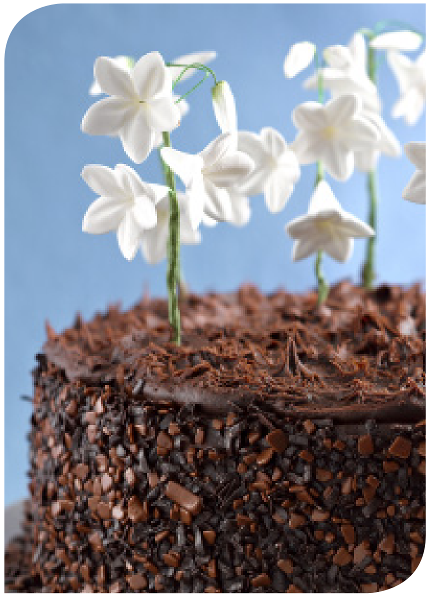
Provision of information to auditor

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 continuing activities

The principal activity of the Group is that of a food manufacturing and distribution business. The Group trades through its six operating divisions following the acquisition of Rainbow Dust Colours Ltd and the disposal of Napier Brown Sugars Ltd in January and May 2015 respectively.



Above: Renshaw Snowdrop cake

Renshaw	Manufactures, sells and supplies cake decoration products and premium ingredients for the baking sector in the UK and for export.
Rainbow Dust Colours	Manufacturer and wholesale supplier of specialist sugarcraft and cake decorating products.
Garrett Ingredients	Sales and distribution of bagged sugar, dairy and other food ingredients to food manufacturers.
R&W Scott	Manufactures, sells and supplies chocolate coatings and jams to food manufacturers and retailers.
RGFE	Sells, markets and distributes products from other RGF companies across Europe.
Haydens	Manufactures, sells and distributes added value bakery and dessert products to UK retail and foodservice customers.

Business review and future developments

These topics are covered in detail within the Chairman's Statement, Divisional Reviews and Finance Reviews on pages 4–5, 8–19 and 22–25 respectively.

Results and dividends

The Group's revenue from continuing operations for the 12 month period was £104,580k (2014 – £110,243k), yielding a gross profit of £25,561k (2014 – £21,981k) and an operating profit of £3,202k (2014 – £2,693k) from continuing operations before significant items.

With the disposal of Napier Brown Sugars Ltd in May 2015, the trade and assets of Napier Brown are shown as discontinued business operations during the period.

The Group's loss for the period after taxation was £3,409k (2014 – £658k) with continuing operations before significant items, delivering a profit of £1,046k as compared with £2,130k last year.

The Directors do not recommend payment of a dividend in respect of the 12 months ended 31 March 2015 (2014 – £nil).

Significant items

During the 12 month period the Group incurred £280k costs on the acquisition of Rainbow Dust Colours Ltd and reorganisation costs of £570k at executive level associated with the subsequent Napier disposal (2013/14 – £544k); 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:

2015	**31 March 2015**	31 March 2014
P W Totté*	**2,624,124**	2,624,124
P G Ridgwell†	**22,502,354**	22,502,354
P C Salter	**131,000**	131,000
C O Thomas	**240,363**	240,363
M J McDonough	**22,000**	22,000
J 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.

Report of the Directors (continued)

Substantial interests

At 31 March 2015 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	31.8%
Omnicane International Investors Limited	28.8%

Directors' indemnities

The Company has paid £9,927 (2014 – £9,450) 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 comprise bank term loans and two revolving credit facilities, hire purchase and finance leases, cash and liquid resources and various items arising directly from its operations, such as trade receivables and trade payables. The main purpose of these financial instruments is to finance the Group's operations.

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

Liquidity risk

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

Employee involvement

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

Disabled employees

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

Charitable and political donations

During the current financial period the Group made charitable donations of £1,918 (2014 – £5,188). No political donations were made during the current or previous financial period.

Above: Rainbow Dust Colours production line employee

Research and development

During the period the Group incurred costs of £750k (2014 – £760k) in relation to research and development of new products. These costs included costs associated with development chefs, development technologists and materials consumed in product development.

Audit Committee

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

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

Remuneration Committee Report

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

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

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

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

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

Auditor

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

This report was approved by the Board on 6 August 2015.

P W Totté
Chairman

M J McDonough
Director

Independent Auditor's Report

to the shareholders of The Real Good Food Company plc

We have audited the financial statements of Real Good Food plc for the year ended 31 March 2015 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 34.

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, and as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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, the Report of the Directors and any other surrounding information 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 2015 and of the Group's result for the year 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
6 August 2015

Consolidated Statement of Comprehensive Income

Year ended 31 March 2015

	Notes	Year ended 31 March 2015 Continuing Operations £'000s	Year ended 31 March 2015 Discontinued Operations £'000s	Year ended 31 March 2015 Total £'000s	Year ended 31 March 2014 Continuing Operations £'000s	Year ended 31 March 2014 Discontinued Operations £'000s	Year ended 31 March 2014 Total £'000s
REVENUE	4	**104,580**	**128,288**	**232,868**	110,243	162,333	272,576
Cost of sales		**(79,019)**	**(117,924)**	**(196,943)**	(88,262)	(150,925)	(239,187)
GROSS PROFIT		**25,561**	**10,364**	**35,925**	21,981	11,408	33,389
Distribution costs		**(5,572)**	**(9,938)**	**(15,510)**	(4,285)	(9,543)	(13,828)
Administration expenses		**(16,787)**	**(4,369)**	**(21,156)**	(15,003)	(3,889)	(18,892)
Significant items	6	**(522)**	**(328)**	**(850)**	(544)	—	(544)
OPERATING PROFIT/(LOSS)	8	**2,680**	**(4,271)**	**(1,591)**	2,149	(2,024)	125
Finance income	9	**—**	**—**	**—**	—	—	—
Finance costs	10	**(866)**	**(845)**	**(1,711)**	(556)	(1,046)	(1,602)
Other finance costs	11	**(235)**	**—**	**(235)**	(59)	—	(59)
(LOSS)/PROFIT BEFORE TAXATION		**1,579**	**(5,116)**	**(3,537)**	1,534	(3,070)	(1,536)
Income tax expense/(credit)	14	**(1,055)**	**1,005**	**(50)**	52	706	758
Income tax on significant items	14	**110**	**68**	**178**	120		120
(LOSS)/PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		**634**	**(4,043)**	**(3,409)**	1,706	(2,364)	(658)
OTHER COMPREHENSIVE LOSS							
Items that will not be reclassified to profit or loss							
Actuarial (losses)/gains on defined benefit plans		**(2,237)**	**—**	**(2,237)**	(394)	—	(394)
Income tax relating to components of other comprehensive income		**447**	**—**	**447**	(3)	—	(3)
OTHER COMPREHENSIVE (LOSS)		**(1,790)**	**—**	**(1,790)**	(397)	—	(397)
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		**(1,156)**	**(4,043)**	**(5,199)**	1,309	(2,364)	(1,055)
Earnings per share from continuing operations:							
– basic	15	**0.91p**	**(5.81)p**	**(4.90)p**	2.46p	(3.41)p	(0.95)p
– diluted		**0.85p**	**(5.81)p**	**(4.90)p**	2.26p	(3.41)p	(0.95)p

The Notes on pages 40 to 82 form part of these financial statements.

Consolidated Statement of Changes in Equity
Year ended 31 March 2015

	Issued Share Capital £'000s	Share Premium Account £'000s	Share Option Reserve £'000s	Retained Earnings £'000s	Total £'000s
Balance as at 31 March 2013	1,389	71,244	540	14,932	88,105
Total Comprehensive income for the year					
Profit for the year	—	—	—	(658)	(658)
Other Comprehensive income for the year	—	—	—	(397)	(397)
Total Comprehensive Income for the year	—	—	—	(1,055)	(1,055)
Transactions with owners of the Group, recognised directly in equity					
Contributions by and distribution to owners of the Company					
Shares issued in the year	—	—	—	—	—
Share based payment expense	—	—	46	—	46
Deferred tax on share options	—	—	(82)	—	(82)
Total contributions by and distributions to owners of the Group	—	—	(36)	—	(36)
Balance as at 31 March 2014	**1,389**	**71,244**	**504**	**13,877**	**87,014**
Total Comprehensive income for the year					
Profit for the year	—	—	—	(3,409)	(3,409)
Other Comprehensive income for the year	—	—	—	(1,790)	(1,790)
Total Comprehensive Income for the year	—	—	—	(5,199)	(5,199)
Transactions with owners of the Group, recognised directly in equity					
Contributions by and distribution to owners of the Company					
Shares issued in the year	3	28	—	—	31
Share based payment expense	—	—	47	—	47
Deferred tax on share options	—	—	26	—	26
Total contributions by and distributions to owners of the Group	3	28	73	—	104
Balance as at 31 March 2015	**1,392**	**71,272**	**577**	**8,678**	**81,919**

Company Statement of Changes in Equity

Year ended 31 March 2015

	Issued Share Capital £'000s	Share Premium Account £'000s	Share Option Reserve £'000s	Retained Earnings £'000s	Total £'000s
Balance at 31 March 13	1,389	71,244	540	(10,216)	62,957
Total comprehensive income for the year					
Loss for the year	—	—	—	(3,473)	(3,473)
Other comprehensive income for the year	—	—	—	—	—
Total comprehensive income for the year	—	—	—	(3,473)	(3,473)
Transactions with owners of the Company, recognised directly in equity					
Contributions by and distributions to owners of the Company					
Shares issued in the year	—	—	—	—	—
Share based payment expenses	—	—	46	—	46
Deferred tax on share options	—	—	(82)	—	(82)
Total contributions by and distributions to owners of the Company	—	—	(36)	—	(36)
Balance at 31 March 14	1,389	71,244	504	(13,689)	59,448
Total comprehensive income for the year					
Loss for the year	—	—	—	(3,474)	(3,474)
Other comprehensive income for the year	—	—	—	—	—
Total comprehensive income for the year	—	—	—	(3,474)	(3,474)
Transactions with owners of the Company, recognised directly in equity					
Contributions by and distributions to owners of the Company					
Shares issued in the year	3	28	—	—	31
Share based payment expenses	—	—	47	—	47
Deferred tax on share options	—	—	26	—	26
Total contributions by and distributions to owners of the Company	3	28	73	—	104
Balance at 31 March 15	**1,392**	**71,272**	**577**	**(17,163)**	**56,078**

The Notes on pages 40 to 82 form part of these financial statements.

Consolidated Statement of Financial Position

Year ended 31 March 2015

	Notes	31 March 2015 £'000s	31 March 2014 £'000s
NON-CURRENT ASSETS			
Goodwill	16	**70,019**	75,796
Other intangible assets	17	**841**	1,102
Property, plant and equipment	18	**13,599**	22,291
Deferred tax asset	20	**1,866**	1,319
		86,325	100,508
CURRENT ASSETS			
Inventories	21	**10,328**	19,108
Trade and other receivables	22	**15,229**	34,260
Assets relating to discontinued business	32	**41,406**	—
Current tax assets		**—**	641
Other financial assets	25	**—**	499
Cash and cash equivalents		**6,687**	8,568
		73,650	63,076
TOTAL ASSETS		**159,975**	163,584
CURRENT LIABILITIES			
Bank Overdrafts		**51**	—
Trade and other payables	24	**18,000**	29,820
Borrowings	23	**17,190**	31,221
Liabilities relating to discontinued business	32	**27,300**	—
Other financial liabilities	25	**—**	499
Current tax liabilities		**613**	—
		63,154	61,540
NON-CURRENT LIABILITIES			
Borrowings	23	**6,677**	8,480
Trade and other payables	24	**—**	191
Deferred tax liabilities	20	**2,537**	2,686
Retirement benefit obligations	31	**5,688**	3,673
		14,902	15,030
TOTAL LIABILITIES		**78,056**	76,570
NET ASSETS		**81,919**	87,014
EQUITY			
Share capital	26	**1,392**	1,389
Share premium account	27	**71,272**	71,244
Share option reserve	27	**577**	504
Retained earnings	27	**8,678**	13,877
TOTAL EQUITY		**81,919**	87,014

These financial statements were approved by the Board of Directors and authorised for issue on 6 August 2015.

They were signed on its behalf by:

P W Totté
Executive Chairman

M J McDonough
Director

The Notes on pages 40 to 82 form part of these financial statements.

Company Statement of Financial Position

Year ended 31 March 2015

	Notes	31 March 2015 £'000s	31 March 2014 £'000s
NON-CURRENT ASSETS			
Investments	19	**57,892**	55,892
Property, plant and equipment	18	**77**	1,650
Deferred tax asset	20	**327**	298
Trade and other receivables	22	**43,626**	44,141
		101,922	101,981
CURRENT ASSETS			
Trade and other receivables	22	**2,100**	498
Cash and cash equivalents		**3,167**	185
		5,267	683
TOTAL ASSETS		**107,189**	102,664
CURRENT LIABILITIES			
Trade and other payables	24	**675**	187
Borrowings	23	**1,541**	1,836
		2,216	2,023
NON-CURRENT LIABILITIES			
Trade and other payables	24	**45,216**	35,825
Deferred tax liability	20	**—**	4
Borrowings	23	**3,679**	5,364
		48,895	41,193
TOTAL LIABILITIES		**51,111**	43,216
NET ASSETS		**56,078**	59,448
EQUITY			
Share capital	26	**1,392**	1,389
Share premium account	27	**71,272**	71,244
Share option reserve	27	**577**	504
Retained earnings	27	**(17,163)**	(13,689)
TOTAL EQUITY		**56,078**	59,448

These financial statements were approved by the Board of Directors and authorised for issue on 6 August 2015.

They were signed on its behalf by:

P W Totté
Chairman

M J McDonough
Director

The Notes on pages 40 to 82 form part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 March 2015

	12 months ended 31 March 2015 £'000s	12 months ended 31 March 2014 £'000s
CASH FLOW FROM OPERATING ACTIVITIES		
Adjusted for:		
(Loss)/profit before taxation	**(3,537)**	(1,536)
Finance costs	**1,711**	1,602
Other finance costs	**235**	59
Share based payment expense	**47**	—
Depreciation of property, plant and equipment	**2,341**	2,275
Profit on disposal of property, plant and equipment	**(11)**	—
Amortisation of intangibles	**360**	352
Operating Cash Flow	**1,146**	2,752
(Increase)/decrease in inventories	**3,393**	(4,071)
(Increase)/decrease in receivables	**4,678**	(4,047)
Pension contributions	**(457)**	(320)
(Decrease)/increase in payables	**(3,955)**	8,741
Cash generated from operations	**4,805**	3,055
Income taxes received/(paid)	**576**	(745)
Interest paid	**(1,711)**	(1,602)
Net cash from operating activities	**3,670**	708
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**11**	22
Purchase of intangible assets	**(99)**	(42)
Purchase of property, plant and equipment	**(1,428)**	(6,903)
Acquisition of business, net of cash acquired	**(1,243)**	—
Net cash used in investing activities	**(2,759)**	(6,923)
CASH FLOW USED IN FINANCING ACTIVITIES		
Shares issued in year	**32**	—
Additional loans	**4,000**	1,120
Additional finance leases	**—**	517
Repayment of loans	**(1,954)**	(1,989)
Net movements on revolving credit facilities	**(4,832)**	8,053
Repayment of obligations under finance leases	**(89)**	(52)
Net cash used in financing activities	**(2,843)**	7,649
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(1,932)**	1,434
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	**8,568**	7,134
Net movement in cash and cash equivalents	**(1,932)**	1,434
Cash and cash equivalents at end of period	**6,636**	8,568
Cash and cash equivalents comprise:		
Cash	**6,687**	8,568
Overdrafts	**(51)**	—
	6,636	8,568

The Notes on pages 40 to 82 form part of these financial statements.

Company Cash Flow Statement

Year ended 31 March 2015

	12 months ended 31 March 2015 £'000s	12 months ended 31 March 2014 £'000s
CASH FLOW FROM OPERATING ACTIVITIES		
Adjusted for:		
Loss before taxation	**(3,480)**	(2,977)
Finance costs	**235**	318
Share based payment expense	**47**	—
Depreciation of property, plant and equipment	**49**	35
Operating Cash Flow	**(3,149)**	(2,624)
(Increase)/decrease in receivables	**694**	(752)
Increase in payables	**7,597**	6,334
Cash generated from operations	**5,142**	2,958
Interest paid	**(235)**	(318)
Income taxes received/(paid)	**—**	
Net Cash from operating activities	**4,907**	2,640
Cash flow from Investing activities		
Investment	**—**	—
Purchase of property, plant and equipment	**(3)**	(1,644)
Net cash used in investing activities	**(3)**	(1,644)
Cash Flow used in financing activities		
Shares issued in period	**32**	—
Additional borrowings	**—**	1,120
Repayment of borrowings	**(1,954)**	(1,989)
Net cash used in financing activities	**(1,922)**	(869)
Net increase in cash and cash equivalents	**2,982**	127
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	**185**	58
Net movement in cash and cash equivalents	**2,982**	127
Cash and cash equivalents at end of period	**3,167**	185
Cash and cash equivalents comprise:		
Cash	**3,167**	185
Overdrafts	**—**	—
	3,167	185

The Notes on pages 40 to 82 form part of these financial statements.

Notes to the Financial Statements

Year ended 31 March 2015

1. Presentation of financial statements

General information

The Real Good Food 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.

Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification of a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is presented as if the operation had discontinued from the start of the comparative period. The disposal of the Napier Division, as described in note 32, gives rise to a discontinued operation and restatement of comparatives.

New IFRS standards and interpretations adopted

At the date of authorisation of these financial statements, the directors have considered the 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) and only IFRS 15 "Revenue from Contracts with Customers" was considered to be relevant. The Directors are still assessing whether the application of IFRS 15, once effective, will have a material impact on the results of the Group. Adoption of the other standards and interpretations referred to above is not expected to have a material impact on the results of the Group. Application of these standards may result in some changes in presentation of information within the Group's financial statements.

2. Significant accounting policies

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

a) Basis of accounting

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

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Divisional Reviews on pages 8 to 19. The financial position of the Group, its cash flows and liquidity position are described in the Finance Review on pages 22 to 25. 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. After the year end the PNC Business Credit facility was repaid in full from the proceeds arising from, the disposal of Napier Brown.

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 £3,474k (2014 – £3,473k).

c) Goodwill

Goodwill is calculated as the difference between the fair value of the consideration exchanged, 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.

Notes to the Financial Statements (continued)

Year ended 31 March 2015

2. Significant accounting policies (continued)

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.

c) Rebates and discounts; all discounts, rebates etc are accounted for in line with contractual commitments and netted off Gross Sales to reflect the Net Income earned any costs incurred in promotional activity are expensed within Commercial overheads In all cases these accounts will reflect the net position after any contractual discounts and rebates along with any promotional costs. Full accruals are made for any unpaid elements

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.

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, at a segment reporting level, for example, a major restructuring of the management of that segment. The Group believes that by identifying these items seperately as Significant then it enhances the understanding of the true performance of the segment trading position. Summary details of significant items are shown in the Chairman's Statement which forms part of this annual report, and in note 6.

2. Significant accounting policies (continued)

g) Pension costs

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

Actuarial gains and losses are recognised in full in the period in which they occur. 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 3 years (2014 – three years). The charge for the year is included in administration expenses within the Statement of Comprehensive Income.

j) Leases

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

Notes to the Financial Statements (continued)

Year ended 31 March 2015

2. Significant accounting policies (continued)

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.

2. **Significant accounting policies** (continued)

s) Intangible assets

IFRS 3 (revised) "Business Combinations" requires that goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3 (revised) also requires the identification of other intangible assets at acquisition. The assumptions involved in valuing these intangible assets require the use of estimates and judgements which differ from the actual outcome. These estimates and judgements cover future growth rates, expected inflation rates and the discount rate used.

t) Contingent consideration

Determining the value of contingent consideration recognised as part of the acquisition of subsidiaries requires assumptions to determine the expected performance of the acquired business and the amount of contingent consideration that will therefore become payable. Initial estimates of expected performance are made by Directors responsible for completing the acquisition and form a key component of the financial due diligence that takes place prior to completion. Subsequent measurement of contingent consideration is based on the Directors' fair value appraisal of the acquired business's performance in the post-acquisition period with any required adjustments to the amount payable recognised in the Consolidated Income Statement as required under IFRS 3.

u) Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Any contingent purchase consideration payable is recognised at fair value at the acquisition date. If the contingent purchase consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent purchase consideration are recognised in the Consolidated Income Statement.

Goodwill is recognised as an intangible asset in the Consolidated Balance Sheet. Goodwill therefore includes non-identified intangible assets including business processes, buyer specific synergies, know-how and workforce related industry specific knowledge and technical skills.

Notes to the Financial Statements (continued)

Year ended 31 March 2015

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%.

3. Critical accounting estimates and judgements (continued)

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) 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.

d) Business Claims

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.

Notes to the Financial Statements (continued)

Year ended 31 March 2015

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 2015	Garrett £'000s	Renshaw £'000s	R&W Scott £'000s	Haydens £'000s	RGFE £'000s	Rainbow Dust £'000s	Continuing Operations Total £'000s	Discontinued Operations Total £'000s	Total Group £'000s
Total Revenue	19,982	48,205	10,122	28,367	1,745	755	109,176	137,456	246,632
Revenue – Internal	(1,747)	(1,492)	(1,357)	—	—	—	(4,596)	(9,168)	(13,764)
External Revenue	**18,235**	**46,713**	**8,765**	**28,367**	**1,745**	**755**	**104,580**	**128,288**	**232,868**
EBITDA	**541**	**6,133**	**(25)**	**1,252**	**(42)**	**432**	**8,291**	**(3,359)**	**4,932**
Operating Profit before Head Office	**520**	**5,149**	**(260)**	**444**	**(48)**	**418**	**6,223**	**(3,943)**	**2,280**
Head Office and consolidation adjustments	—	—	—	—	—	—	(3,021)	—	(3,021)
Significant Items relating to Head Office	—	—	—	—	—	—	(522)	(328)	(850)
Operating Profit/(loss)	**520**	**5,149**	**(260)**	**444**	**(48)**	**418**	**2,680**	**(4,271)**	**(1,591)**
Net Finance Costs	(153)	(420)	(53)	(203)	(2)	(35)	(866)	(845)	(1,711)
Pension Finance Income	—	—	—	—	—	—	(235)	—	(235)
Profit/(loss) before tax	**367**	**4,729**	**(313)**	**241**	**(50)**	**383**	**1,579**	**(5,116)**	**(3,537)**
Tax	—	532	—	(48)	—	(88)	506	1,073	574
Unallocated Tax							(1,451)	—	(446)
Profit/(loss) after tax as per comprehensive statement of income	**367**	**5,261**	**(313)**	**193**	**(50)**	**295**	**634**	**(4,043)**	**(3,409)**

Sales between segments are charged at prevailing market rates.

Included in the Renshaw and Haydens segments, one single customer accounts for 18.2% of the continuing Group's external sales for the year ended 31 March 2015

5. Segment reporting (continued)

31 March 2015	Garrett £'000s	Renshaw £'000s	R&W Scott £'000s	Haydens £'000s	RGFE £'000s	Rainbow Dust £'000s	Discontinued £'000s	Unallocated £'000s	Total Group £'000s
Segment assets	**8,438**	**77,441**	**7,083**	**11,333**	**574**	**11,184**	**41,406**	**—**	**157,459**
Unallocated assets									
Property, plant and equipment									77
Deferred tax assets									—
Trade and other receivables									573
Current tax asset									1,866
Total assets	**8,438**	**77,441**	**7,083**	**11,333**	**574**	**11,184**	**41,406**		**159,975**
Segment liabilities	**3,372**	**10,764**	**1,648**	**6,936**	**308**	**10,981**	**27,005**	**—**	**61,014**
Unallocated liabilities									
Trade and other payables									924
Borrowings									7,994
Current tax liabilities									—
Deferred tax liabilities									2,436
Pension liability									5,688
Total liabilities	**3,372**	**10,764**	**1,648**	**6,936**	**308**	**10,981**	**27,005**		**78,056**
Net operating assets	**5,066**	**66,677**	**5,435**	**4,397**	**266**	**203**	**14,401**	**—**	**81,919**
Non-current asset additions	52	384	166	643	42	215	1,750	3	3,255
Depreciation	4	641	235	808	6	14	584	49	2,341
Amortisation	17	343	—	—	—	—	—	—	360

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, this amounts to 11.1% of the total revenue of the continuing Group but as no individual country is considered to be material, segmental reporting of a geographical nature is not considered relevant.

Notes to the Financial Statements (continued)

Year ended 31 March 2015

5. Segment reporting (continued)

12 months ended 31 March 2014	Garrett £'000s	Renshaw £'000s	R&W Scott £'000s	Haydens £'000s	RGFE £'000s	Continuing Operations Total £'000s	Discontinued Operations Total £'000s	Total Group £'000s
Total Revenue	31,803	43,495	10,440	27,255	481	113,474	172,089	285,563
Revenue – Internal	(1,392)	(543)	(1,296)	—	—	(3,231)	(9,756)	(12,987)
External Revenue	**30,411**	**42,952**	**9,144**	**27,255**	**481**	**110,243**	**162,333**	**272,576**
EBITDA	**1,204**	**5,467**	**327**	**917**	**(391)**	**7,524**	**(1,605)**	**5,919**
Operating Profit before Head Office	**1,169**	**4,398**	**66**	**109**	**(391)**	**5,351**	**(2,024)**	**3,327**
Head Office and consolidation adjustments						(2,658)	—	(2,658)
Significant Items	(307)	(175)		(62)		(544)		(544)
Operating Profit/(loss)	**862**	**4,223**	**66**	**47**	**(391)**	**2,149**	**(2,024)**	**125**
Net Finance Costs	(113)	(280)	(59)	(104)	—	(556)	(1,046)	(1,602)
Pension Finance Income	—	—	—	—	—	(59)	—	(59)
Profit/(loss) before tax	**749**	**3,943**	**7**	**(57)**	**(391)**	**1,534**	**(3,070)**	**(1,536)**
Tax	(243)	(947)	(1)	(1)	90	(982)	706	(276)
Unallocated Tax						1,154		1,154
Profit/(loss) after tax as per comprehensive statement of income	**813**	**3,171**	**6**	**4**	**(301)**	**1,706**	**(2,364)**	**(658)**

Inter-segment sales are charged at prevailing market rates.

31 March 2014	Garrett £'000s	Renshaw £'000s	R&W Scott £'000s	Haydens £'000s	RGFE £'000s	Discontinued £'000s	Unallocated £'000s	Total Group £'000s
Segment assets	**9,489**	**76,741**	**9,986**	**11,383**	**208**	**51,965**	**—**	**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	**9,489**	**76,741**	**9,986**	**11,383**	**208**	**51,965**		**163,584**
Segment liabilities	**3,989**	**11,264**	**4,718**	**6,378**	**55**	**39,939**	**—**	**66,343**
Unallocated liabilities								
Trade and other payables								341
Borrowings								7,200
Current tax liabilities								—
Deferred tax liabilities								2,686
Total liabilities	**3,989**	**11,264**	**4,718**	**6,378**	**55**	**39,939**		**76,570**
Net operating assets	**5,500**	**65,477**	**5,268**	**5,005**	**153**	**12,026**	**—**	**87,014**
Non-current asset additions	—	999	302	1,603	—	2,397	1,644	6,945
Depreciation	—	752	261	808	—	419	35	2,275
Amortisation	35	317	—	—	—	—	—	352

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 2015 £'000s	12 months ended 31 March 2014 £'000s
Management restructuring costs	**568**	544
Acquisition costs	**282**	—
	850	544
Taxation credit on significant items	**(178)**	(120)
	672	424

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 Sugar division and Head Office. The acquisition costs relates to the purchase of Rainbow Dust Colours Ltd.

7. Auditor's remuneration

	12 months ended 31 March 2015 £'000s	12 months ended 31 March 2014 £'000s
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**30**	30
Fees payable to the Company's auditor for other services — continuing operations		
The audit of the Company's subsidiaries pursuant to legislation	**143**	130
Tax compliance services	**31**	41
Tax advisory services	**35**	28
Other assurance services	**24**	30
	233	229
Discontinued operations		
The audit of the Company's subsidiaries pursuant to legislation	**85**	
Tax compliance services	**—**	
Tax advisory services	**—**	
Other assurance services	**—**	
Total fees paid to Auditor	**85**	

Notes to the Financial Statements (continued)

Year ended 31 March 2015

8. Operating profit

	Notes	31 March 2015 £'000s	31 March 2014 £'000s
External sales		**232,868**	272,576
Staff costs	13	**32,787**	30,086
Inventories:			
— cost of inventories as an expense (included in cost of sales)		**166,035**	211,184
Depreciation of property, plant and equipment	18	**2,341**	2,275
Amortisation of intangible assets	17	**360**	352
Significant items	6	**850**	544
Minimum operating lease payment:			
— land and buildings	29	**559**	616
— other assets	29	**621**	773
Research and development expenditure*		**750**	760
Impairment of trade receivables	22	**81**	(45)
Foreign exchange (gains)/losses		**(450)**	201
Other net operating expenses		**27,343**	25,705
Total		**231,277**	272,451
Operating profit		**1,591**	125

* 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 (2014 – £nil).

10. Finance costs

	12 months ended 31 March 2015 £'000s	12 months ended 31 March 2014 £'000s
Interest on bank loans and overdrafts	**1,700**	1,598
Interest on obligations under finance leases	**11**	4
	1,711	1,602
Continuing business	**866**	
Discontinued business	**845**	

11. Other finance costs

	31 March 2015 £'000s	31 March 2014 £'000s
Interest on pension scheme liabilities	**857**	879
Expected return on pension scheme assets	**(695)**	(720)
Past service cost	**73**	(100)
	235	59

12. Directors' remuneration

	31 March 2015 £'000s	31 March 2014 £'000s
Fees	**106**	106
Executive salaries and benefits	**472**	376
Share based payments	**16**	16
	594	498

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 2015 £'000s	31 March 2014 £'000s
M J McDonough	211	3	43	**257**	253
P W Totté	218	13	—	**231**	139
P G Ridgwell	30	—	—	**30**	30
P C Salter	36	—	—	**36**	36
C O Thomas	40	—	—	**40**	40
	535	16	43	**594**	498

* 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 30.

Key management personnel are considered to be the Company Directors.

Notes to the Financial Statements (continued)

Year ended 31 March 2015

12. Directors' remuneration (continued)

Directors' interests in share options:

	Option Type	Date of Grant	**Number of options at 31 March 2015**	Number of options at 31 March 2014	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	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**	40,815	24.50p	May 2013	May 2020

No new options were granted to Directors during the year (2014 – 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 2015 was 42.2p and the range during the year was 24.2p to 45.0p.

No Director exercised share options during the year.

During the period retirement benefits were accruing to one (2014 – 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 2015	31 March 2014
Continuing operations		
Production	**673**	604
Selling and distribution	**110**	100
Directors and administrative	**81**	66
	864	770
Discontinued operations		
Production	**141**	124
Selling and distribution	**26**	38
Directors and administrative	**9**	15
Total	**176**	177

13. Staff numbers and costs (continued)

The aggregate payroll costs were as follows:

	31 March 2015 £'000s	31 March 2014 £'000s
Continuing operations		
Wages, salaries and fees	**21.813**	19,998
Social Security Costs	**2,179**	1,961
Other pension costs	**1,558**	1,057
Share based payment expense	**30**	30
	25,580	23,046
Discontinued operations		
Wages, salaries and fees	**6,219**	6,129
Social Security Costs	**551**	569
Other pension costs	**437**	372
Share based payment expense	**—**	—
Total	**7,207**	7,070

14. Taxation

	31 March 2015 £'000s	31 March 2014 £'000s
Current tax		
UK Current tax on profit of the period	**201**	(356)
UK Current tax on significant items	**(178)**	(120)
Adjustments in respect of prior years	**85**	(170)
Total current tax	**108**	(646)
Deferred tax		
Deferred tax charge re pension scheme	**44**	52
Origination and reversal of timing differences	**(260)**	53
Adjustments in respect of prior years	**(20)**	(6)
Adjustment in respect of change in deferred tax rate	**—**	(331)
Total deferred tax	**(236)**	(232)
Total tax – continuing operations	**945**	(172)
Tax on discontinued operations	**(1,073)**	(706)
Total tax	**(128)**	(878)
Tax on profit	**(128)**	(878)

Notes to the Financial Statements (continued)

Year ended 31 March 2015

14. Taxation (continued)

Factors affecting tax charge for the period:

The tax assessed for the period is higher (2014 – lower) than the standard rate of corporation tax in the UK 21% (2014 – 23%).

The differences are explained below:

	12 months ended 31 March 2015 £'000s	12 months ended 31 March 2014 £'000s
Tax reconciliation		
(Loss)/profit per accounts before taxation	**(3,521)**	(1,536)
Tax on (loss)/profit on ordinary activities at standard CT rate of 21% (2014 – 23%)	**(732)**	(354)
Expenses not deductible for tax purposes	**77**	21
Additional deduction for R&D expenditure	**(47)**	(17)
Share option relief	**(3)**	—
Current year losses not recognised – deferred tax	**502**	—
Losses carried back at higher marginal rate	**—**	(20)
Adjustment in respect of change in deferred tax rate	**11**	(331)
Adjustments to tax in respect of prior years	**64**	(177)
Total tax – continuing operations	**(128)**	(878)
Tax on continuing operations	**945**	(172)
Tax on discontinued operations	**(1,073)**	(706)
Tax charge for the period	**(128)**	(878)

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 2015 £'000s Continuing operations	12 months ended 31 March 2014 £'000s Continuing operations
Earnings after tax attributable to ordinary shareholders (£'000s)	**(3,409)**	(658)
– Continuing operations	**634**	1,706
– Discontinued operations	**(4,043)**	(2,364)
Weighted average number of shares in issue ('000s)	**69,568**	69,466
– Continuing operations	**0.91p**	2.46p
– Discontinued operations	**(5.81)p**	(3.41)p
Basic earnings per share	**(4.90)p**	(0.95)p

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.

The weighted average number of shares in issue for the year was 69,568k, the number of options outstanding was 9,588k, and of these 4,635k could have been execrised given the average share price for the year of 34p. This gives a total of 74,203k shares for the calculation of the diluted EPS figures.

	31 March 2015 £'000s	31 March 2014 £'000s
Earnings after tax attributable to ordinary shareholders (£'000s)	**(3,409)**	(658)
– Continuing operations	**634**	1,706
– Discontinued operations	**(4,043)**	(2,364)
Weighted average number of shares in issue ('000s)	**74,203**	75,579
– Continuing operations	**0.85p**	2.26p
– Discontinued operations	**(5.8)p**	(3.41)p
Diluted earnings per share	**(4.9)p**	(0.95)p

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 2015 £'000s	31 March 2014 £'000s
Earnings after tax attributable to ordinary shareholders (£'000s)	**(3,409)**	(658)
– Continuing operations	**634**	1,706
– Discontinued operations	**(4,043)**	(2,364)
Add back significant items (note 6)	**850**	544
Add back tax on significant items	**(178)**	(120)
Adjusted earnings after tax attributable to ordinary shareholders (£'000s)	**(2,737)**	(234)
Weighted average number of shares in issue ('000s)	**69,568**	69,466
Basic earnings per share	**(3.93)p**	(0.34)p
Total potential weighted average number of shares in issue ('000s)	**74,203**	75,579
Basic diluted earnings per share*	**(3.93)p**	(0.34)p

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

Notes to the Financial Statements (continued)

Year ended 31 March 2015

16. Goodwill

	Group £'000s
Cost	
Carried forward 31 March 2014	**75,796**
Addition in year (note 33)	**6,223**
Carried forward 31 March 2015	**82,019**

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 2015 £'000s	31 March 2014 £'000s
Sugar and Bakery Ingredients divisions		
Napier Brown	**12,000**	12,000
Garrett Ingredients	**5,000**	5,000
Renshaw	**57,796**	57,796
R&W Scott	**1,000**	1,000
Rainbow Dust Colours Ltd	**6,223**	—
Carried forward 31 March 2015	**82,019**	75,796
Continuing business	**70,019**	
Discontinued business	**12,000**	

The Goodwill originally arose on the acquisition of Napier Brown Foods Ltd and its subsidiary RenshawNapier Ltd (formerly Napier Brown & Company Ltd) in 2005 in which, until 17 March 2015 when Napier Brown Sugars Ltd was formed, the trading activity of Renshaw, R&W Scott, Napier Brown and Garrett Ingredients resided. On acquisition, in 2005, they were all part of one legal entity without any separate evaluation or consideration.

As previously reported the strategy in recent years has been to establish each of these as separate trading businesses, 'divisions', with their own management teams leading to them all being re-established as separate Limited companies. It's expected Renshaw. R&W Scott and Garrett Ingredients will now be in separate legal entities in Oct 2015.

The goodwill on Rainbow Dust Colours Ltd arises out of the acquisition in January 2015.

An assessment of the underlying cash generation, based on current EBITDA performance less ongoing maintenance capital expenditure, has been used to determine the future cash generation profile for each of the divisions. 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.

16. Goodwill (continued)

The rate used to discount the forecast cash flows is the Group's pre-tax weighted average cost of capital of 7.07% (2014 – 6.67%). 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 income at the end of this timescale the recoverable amounts exceed the carrying value by £36.7 million for continuing operations. This is based on our base expectations for the trading period to end March 2016 as well as the existing Net Debt levels pre the disposal of Napier Brown in order to be consistent with the prior year. Applying the estimated WACC of approximately 5% after clearing the Net Debt increases the surplus to the order of £57.8 million.

For Napier Brown the key test centres around the disposal in May 2015 which post completion accounts is expected to deliver a surplus over net assets, excluding goodwill, of approximately £23 million. This effectively 'doubles' the goodwill valuation we assumed in March 2014 and still reflected at March 2015.

An increase in the Group's weighted average cost of capital to above 10.5% (2014 – 10.5%) would cause the Board to impair the carrying value of goodwill across all continuing divisions.

17. Other intangible assets

	Group £'000s	Company £'000s
Cost		
At 1 April 2014	2,925	4
Additions	99	—
Disposals	(60)	—
At 31 March 2015	2,964	4
Amortisation		
At 1 April 2014	1,823	4
Charge	360	—
Disposals	(60)	—
At 31 March 2015	2,123	4
Net book value at 31 March 2015	**841**	**—**
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	—
Net book value at 31 March 2014	**1,102**	**—**

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

Within the consolidated position £nil (2014 – 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.

Notes to the Financial Statements (continued)

Year ended 31 March 2015

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 2014	13,094	31,599	911	45,604
Acquired on acquisition of subsidiary (note 33)	—	201	—	201
Additions	1,571	1,132	252	2,955
Disposals	(1,455)	(614)	—	(2,069)
Reclassifications	329	297	(626)	—
At 31 March 2015	13,539	32,615	537	46,691
Depreciation				
At 1 April 2014	3,576	19,737	—	23,313
Disposals	—	(542)	—	(542)
Charge	315	2,026	—	2,341
At 31 March 2015	3,891	21,221	—	25,112
Net book value at 31 March 2015	**9,648**	**11,394**	**537**	**21,579**
Continuing business	**6,278**	**6,784**	**537**	**13,599**
Discontinued business	**3,370**	**4,610**	**—**	**7,980**
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**

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

	31 March 2015 £'000s	31 March 2014 £'000s
Plant and equipment	**586**	655

£21.0 million (2014 – £21.4 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 2014	1,455	309	—	1,764
Additions	—	3	—	3
Disposals	(1,455)	(150)	—	(1,605)
At 31 March 2015	—	162	—	162
Depreciation				
At 1 April 2014	—	114	—	114
Disposals	—	(78)	—	(78)
Charge	—	49	—	49
At 31 March 2015	—	85	—	85
Net book value at 31 March 2015	**—**	**77**	**—**	**77**
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**

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

	31 March 2015 £'000s	31 March 2014 £'000s
Plant and equipment	**—**	—

Notes to the Financial Statements (continued)

Year ended 31 March 2015

19. Investments

Company

Investments in shares of subsidiary undertakings:

	Napier Brown Foods Limited £'000s	FSF Dormant Limited/ TD Dormant Limited £'000s	Haydens Bakery Limited £'000s	Eurofoods plc/ Coolfresh Limited £'000s	Real Good Food Europe SA £'000s	Total
At 1 April 2014	53,900	610	1,248	79	55	55,892
Addition in year	—	—	2,000	—	—	2,000
At 31 March 2015	**53,900**	**610**	**3,248**	**79**	**55**	**57,892**

The increase in share capital in Haydens Bakery Ltd during the year was as a result of the capitalisation of a Group loan balance.

The aggregate of the share capital and reserves at 31 March 2015 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	38,037	(277)
Renshaw Napier Limited	57,164	11,912
Haydens Bakery Limited	1,621	273
Rainbow Dust Colours Ltd	5,154	295
RGFC Dust Ltd	—	—
Napier Brown Sugar Ltd	—	—
Real Good Food Europe SA	(400)	(64)

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	100%
		50,000 Preference £1	
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%
RGFC Dust Ltd*	Holding Company	1 Ordinary £1	100%
Rainbow Dust Colours Ltd	Cake Decoration Supplier	500 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%
Napier Brown Sugar Ltd	Sugar Supplier	1 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:

	2015 Group £'000s	**2015 Company £'000s**	2014 Group £'000s	2014 Company £'000s
Opening position	**1,367**	**(294)**	1,514	(379)
Acquired on the acquisition of Rainbow Dust Colours Ltd	**13**	**—**	—	—
Income statement charge	**(236)**	**(7)**	(232)	3
Charge to equity/(credit)	**(473)**	**(26)**	85	82
Closing position	**671**	**(327)**	1,367	(294)
Shown as follows				
Liabilities	**2,537**	**—**	2,686	4
Assets	**(1,866)**	**(327)**	(1,319)	(298)
	671	**(327)**	1,367	(294)

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 2014	(286)	(298)	—	(735)	(1,319)
Charge/(credit) to income:					
— re current period	(73)	—	(19)	44	(48)
— re prior years	—	—	(26)	—	(26)
(Credit) to equity	—	(26)	—	(447)	(473)
At 31 March 2015	**(359)**	**(324)**	**(45)**	**(1,138)**	**(1,866)**
Within 12 months	**—**	**—**	**—**	**—**	**—**
Greater than 12 months	**(359)**	**(324)**	**(45)**	**(1,138)**	**(1,866)**

Deferred tax provisions

	Intangible assets £'000s	Tangible assets £'000s	Total £'000s
At 31 March 2014	925	1,761	2,686
Acquired on acquisition of Rainbow Dust Colours	—	13	13
Charged to income:			
— current period	97	(265)	(168)
— prior years	—	6	6
At 31 March 2015	**1,022**	**1,515**	**2,537**

There were £2.72 million of unused tax losses not recognised due to uncertainty over when they could be utilised.

Notes to the Financial Statements (continued)

Year ended 31 March 2015

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

Company

Deferred tax assets

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

	Tangible Assets £'000s	Share Options £'000s	Total £'000s
At 31 March 2014	—	(298)	(298)
Charge/(credit) to income:			
— current period	(4)	1	(3)
— prior years	—	—	—
— Charge/(credit) to equity	—	(26)	(26)
At 31 March 2015	**(4)**	**(323)**	**(327)**
Within 12 months	**—**	**—**	**—**
Greater than 12 months	**(4)**	**(323)**	**(327)**

Deferred tax provisions

	Tangible assets £'000s
At 31 March 2014	4
Charge/(credit) to income:	
— current period	(4)
— prior years	—
At 31 March 2015	**—**

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 2015 Group £'000s	31 March 2015 Company £'000s	31 March 2014 Group £'000s	31 March 2014 Company £'000s
Materials	**5,491**	**—**	4,580	—
Work in progress	**743**	**—**	445	—
Finished goods	**10,293**	**—**	14,083	—
	16,527	**—**	19,108	—
Continuing business	**10,328**	**—**		
Discontinued business	**6,199**			

Inventories totalling £16,527k (2014 – £19,108k) are valued at the lower of cost and net realisable value. The Directors consider that this value represents the best estimate of the fair value of those inventories net of costs to sell. Of the total inventories, £5.4 million (2014 – £6.9 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 2015 Group £'000s	31 March 2015 Company £'000s	31 March 2014 Group £'000s	31 March 2014 Company £'000s
Non-current trade and other receivables				
Amounts owed by Group undertakings	**—**	**43,626**	—	44,141
Current trade and other receivables				
Trade receivables	**26,012**	**—**	29,665	—
Less: provision for impairment of receivables	**(111)**	**—**	(50)	—
Net trade receivables	**25,901**	**—**	29,615	—
Other receivables	**1,566**	**—**	2,444	—
Amounts owed by Group undertakings	**—**	**1,527**	—	—
Prepayments	**2,591**	**573**	2,201	498
	30,058	**2,100**	34,260	498
Continuing business	**15,229**			
Discontinued business	**14,829**			

Notes to the Financial Statements (continued)

Year ended 31 March 2015

22. Trade and other receivables (continued)

Provision for impairment of receivables

	31 March 2015 Group £'000s	31 March 2015 Company £'000s	31 March 2014 Group £'000s	31 March 2014 Company £'000s
At 31 March 2014	**(50)**	**—**	(105)	—
Charge for period	**(81)**	**—**	45	—
Uncollectable amounts written off	**20**	**—**	10	—
At 31 March 2015	**(111)**	**—**	(50)	—

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

Trade receivables primarily represent Blue Chip customers with good credit ratings. In assessing and granting credit the Group relies on professional credit rating agencies and has credit insurance policies in place for added protection. This credit insurance covers £22.2 million of the Group's trade receivables, the remaining amount of £3.7 million relates to sales from the Group's bakery division to high street retailers, which the Group has not taken credit insurance on as we deem this to be of limited credit risk. There is no concentration of credit risk within trade receivables as the Group trades with a broad base of customers primarily within the UK, over various different sectors.

The Group recognised a charge of £85k (2014 – credit of £45k) 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 £3.87 million were past due but not impaired, a slight decline on last year driven by a tighter credit control programme. The ageing analysis of these receivables is as follows:

	31 March 2015 Group £'000s	31 March 2015 Company £'000s	31 March 2014 Group £'000s	31 March 2014 Company £'000s
Up to 30 days past due	**3,069**	**—**	3,728	—
1–3 months past due	**498**	**—**	355	—
Over 3 months past due	**311**	**—**	71	—
	3,878	**—**	4,154	—

23. Borrowings and capital management

	31 March 2015 Group £'000s	31 March 2015 Company £'000s	31 March 2014 Group £'000s	31 March 2014 Company £'000s
Unsecured borrowings at amortised cost				
Loan notes	**2,774**	**—**	2,774	—
Secured borrowings at amortised cost				
Bank term loans	**9,170**	**5,220**	7,200	7,200
Revolving credit facilities	**24,430**	**—**	29,262	—
Hire purchase	**376**	**—**	465	—
	36,750	**5,220**	39,701	7,200
Amounts due for settlement within 12 months	**30,073**	**1,541**	31,221	1,836
Amounts due for settlement after 12 months	**6,677**	**3,679**	8,480	5,364
	36,750	**5,220**	39,701	7,200
Continuing business	**23,867**			
Discontinued business	**12,883**			

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. Following the disposal of Napier Brown Sugar post the year end these facilities have been fully repaid (note 32).

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, £3.5 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, £1.2 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, £0.7 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 £24.4 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 £5.4 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.

Notes to the Financial Statements (continued)

Year ended 31 March 2015

23. Borrowings and capital management (continued)

The fixed interest rate liabilities relate to amounts payable on hire purchase agreements £0.4 million. The weighted average interest rate of these liabilities was 2% (2014 – 2%) and the weighted average period for which the interest rates are fixed was 40 months (2014 – 52 months).

The Group had outstanding loan notes amounting to £2,773,908 (2014 – £2,773,908) due to Napier Brown Ingredients Limited as disclosed in note 30. 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 at 10% per annum.

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.

During the year the Group took out a 365 day term loam loan with Lloyds Bank Plc of £3 million to finance the acquisition of Rainbow Dust Colours Ltd. This loan bears interest of 2.75% per annum above LIBOR and is repayable by 3 quarterly payments of £0.25 million and a final payment due in January 2016 of £3.25 million.

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

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.

23. Borrowings and capital management (continued)

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

2015	Less than 1 month £'000s	1–3 months £'000s	3 months to 1 year £'000s	1–5 years £'000s	5+ years £'000s	Total £'000s
Trade and other payables	**24,657**	**3,675**	**3,687**	**—**	**—**	**32,019**
Loan notes	**—**	**—**	**—**	**2,774**	**—**	**2,774**
Bank term loans	**403**	**556**	**4,532**	**3,679**	**—**	**9,170**
Revolving credit facilities	**—**	**24,430**	**—**	**—**	**—**	**24,430**
Finance leases	**10**	**20**	**122**	**224**	**—**	**376**
	25,070	**28,681**	**8,341**	**6,677**	**—**	**68,769**
Interest	**148**	**338**	**451**	**1,845**	**—**	**2,782**
Total	**25,218**	**29,019**	**8,792**	**8,522**	**—**	**71,551**

2014	Less than 1 month £'000s	1–3 months £'000s	3 months to 1 year £'000s	1–5 years £'000s	5+ years £'000s	Total £'000s
Trade and other payables	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

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 £32k. 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 £105k.

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 £47k.

Notes to the Financial Statements (continued)

Year ended 31 March 2015

23. Borrowings and capital management (continued)

Interest rate risks:

The Group has an exposure to interest rate risk arising from fluctuations in sterling and euro base rates. The impact of a 1% increase in the applicable interest rates at the balance sheet date on the variable rate debt carried at that date would, all other factors remaining unchanged, have resulted in a decrease in pre-tax profits of £369k.

Obligation under finance leases

	31 March 2015 £'000s	31 March 2014 £'000s
Finance lease liabilities – minimum lease payments		
Due within one year	**152**	122
Due within one to five years	**224**	343
	376	465
Future finance charges on finance leases	**(27)**	(66)
Present value of finance lease liabilities	**349**	399
The present value of finance lease liabilities is as follows:		
Due within one year	**143**	114
Due within one to five years	**206**	285
	349	399

It is the Group's policy to lease certain property, plant and equipment under finance leases. For the period ended 31 March 2015 the average effective borrowing rate was 4.01% (2014 – 4.01%). 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 2015 Group £'000s	**31 March 2015 Company £'000s**	31 March 2014 Group £'000s	31 March 2014 Company £'000s
Amounts due in more than one year				
Amounts owed to Group undertakings	**—**	**45,216**	—	35,825
Accruals	**295**	**—**	191	—
	295	**45,216**	191	35,825
Amounts due within one year				
Trade payables	**17,831**	**258**	25,125	133
Social security	**636**	**65**	773	28
Amounts owed to Group undertakings	**—**	**—**	—	—
Accruals	**6,877**	**352**	1,527	26
Other payables	**6,380**	**—**	2,395	—
	31,724	**675**	29,820	187
Continuing business	**18,000**			
Discontinued business	**14,019**			

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 release 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.

Included within accruals is £3.5million (2014 – £nil) being the fair value of the contingent consideration in respect of a business combination that occured during the year. Refer to note 33 for details.

25. Financial instruments

Set out below are the Company's financial instruments. The directors consider there to be no difference between the carrying value and fair value of the Company's financial instruments.

	Group		Company	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Loans and receivables at amortised cost				
Cash and cash equivalents	**6,687**	8,568	**3,167**	185
Loans and receivables	**25,901**	29,615	**—**	—
Financial liabilities at amortised cost				
Liabilities at amortised cost	**54,607**	64,826	**5,504**	7,333
	54,607	64,826	**5,504**	7,333
Amounts due for settlement				
Within twelve months	**47,930**	56,346	**1,825**	1,969
After twelve months	**6,677**	8,480	**3,679**	5,364
	54,607	64,826	**5,504**	7,333

Loans and receivables

The Group's policies on managing credit risk are set out in note 22 of these financial statements. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 March 2015 was £25.9 million (2014 – £29.6 million).

	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
Trade receivables	**25,901**	29,615	**—**	—
Cash and cash equivalents	**6,687**	8,568	**3,167**	185
	32,588	38,183	**3,167**	185

Notes to the Financial Statements (continued)

Year ended 31 March 2015

25. Financial instruments (continued)

Financial Liabilities at Amortised cost

Features of the Group's borrowing costs are detailed in note 23 of these financial statements. The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet dated to the contractual maturity date. The amounts disclosed in the table are the contracted undiscounted cash flows. Discounting is not required as this has no material effect on the financial statements.

Year ended 31 March 2015	**Within 1 year £'000**	**1–2 years £'000**	**2–5 years £'000**	**More than 5 years £'000**
Borrowings	**30,099**	**4,745**	**1,932**	**—**
Trade payables	**17,831**	**—**	**—**	**—**
	47,930	**4,745**	**1,932**	**—**

Year ended 31 March 2014	Within 1 year £'000	1–2 years £'000	2–5 years £'000	More than 5 years £'000
Borrowings	31,221	4,731	3,749	—
Trade payables	29,820	191	—	—
	61,040	4,923	3,749	—

Contingent consideration obligations

At 31 March 2015 a financial liability of £3,500,000 has been recognised in respect of the fair value of the contingent consideration due in respect of acquisitions (2014 – £nil).

Financial assets/ financial liabilities	Fair value as at 31/3/2014	**31/3/2015**	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
7) Contingent consideration in a business combination	£nil	**£3,500,000**	Level 3	The contingent consideration was based upon the acquiree achieving a gross margin in excess of a set benchmark. The amount payable was subject to a maximum amount of £3,500,000	Gross margin based upon actual gross margins achieved.	The quicker the gross margin is achieving, the higher the fair value.

The earn out had not been achieved by 31 March 2015. It is expected that £3,500,000 will be payable within the next 12 months therefore the fair value of the contingent consideration was considered to be £3,500,000.

25. Financial instruments (continued)

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 2015 was £6 million (2014 – 15,576,921).

The fair value of these foreign exchange contracts at 31 March 2015 was £398k 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 £398k and this amount has been recorded as a gain within administration expenses and a derived financial asset on the Statement of financial position.

26. Share capital

	Number of Shares 2015	Number of Shares 2014	**31 March 2015 £'000s**	31 March 2014 £'000s
Allotted, called up and fully paid equity share capital				
At 31 March 2014	**69,465,952**	69,465,952	**1,389**	1,389
Issued in the year	**122,448**	—	**3**	—
At 31 March 2015	**69,588,400**	69,465,952	**1,392**	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 2015, outstanding at the end of the year.

Notes to the Financial Statements (continued)

Year ended 31 March 2015

27. Share premium and reserves

Group	Share premium account £'000s	Retained earnings £'000s	Share option reserve £'000s
Balance at 31 March 2014 excluding pension gains/(losses)	71,244	13,877	504
Shares issued in year	28	—	—
Retained profit for the year	—	(3,409)	—
Balance at 31 March 2015 excluding pension gains/(losses)	71,272	10,468	504
Shares to be issued (net of deferred tax)	—	—	73
Pension scheme losses	—	(1,790)	—
Balance at 31 March 2015 including pension gains/(losses)	**71,272**	**8,678**	**577**

Company	Share premium account £'000s	Retained earnings £'000s	Share option reserve £'000s
Balance at 31 March 2014	71,244	(13,689)	504
Shares issued in year	28	—	—
Retained loss for the year	—	(3,474)	—
Shares to be issued (net of deferred tax)	—	—	73
Balance at 31 March 2015	**71,272**	**(17,163)**	**577**

28. Equity-settled share option scheme

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

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

	31 March 2015 Number of share options	**31 March 2015 Weighted Average Exercise Price (£)**	31 March 2014 Number of share options	31 March 2014 Weighted Average Exercise Price (£)
Outstanding at the beginning of the period	**9,610,473**	**0.18**	9,637,921	0.18
Granted during the year	**200,000**	**0.39**	200,000	0.39
Exercised during the year	**(122,448)**	**0.05**	—	—
Forfeited during the year	**(100,000)**	**.43**	(227,448)	(0.35)
Outstanding at the end of the period	**9,588,025**	**0.18**	9,610,473	0.19
Exercisable at the end of the period	**5,370,300**	**0.12**	5,037,748	0.08

28. Equity-settled share option scheme (continued)

A breakdown of the range of exercise prices for options outstanding as at 31 March 2015 is shown in the table below:

	2015 Number outstanding at end of period	2015 Weighted average remaining contractual life (years)	2015 Weighted average exercise price (pence)	2014 Number outstanding at end of period	2014 Weighted average remaining contractual life (years)	2014 Weighted average exercise price (pence)
£0.00 – £0.50	**9,588,025**	**1**	**18.33**	9,610,473	1	18.56

	2015 £'000s	2014 £'000s
IFRS 2 Fair value charge	**46**	46
Average share price	**33.9p**	50.8p

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.

29. Commitments

Operating lease arrangements

	12 months ended 31 March 2015 £'000s	12 months ended 31 March 2014 £'000s
Minimum lease payments under operating leases recognised as an expense in the period	**1,180**	1,389

Notes to the Financial Statements (continued)

Year ended 31 March 2015

29. Commitments (continued)

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

	31 March 2015 £'000s	31 March 2014 £'000s
Due within one year	**885**	1,110
Due between one and five years	**1,322**	2,534
Due beyond five years	**1,127**	1,150

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

	2015 £'000s	2014 £'000s
Commitments for the acquisition of property, plant and equipment	**690**	316

30. Related party transactions

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

Payee	Director	**31 March 2015 £'000s**	31 March 2014 £000's
Menton Investments	P Totté	**—**	145
P G Ridgwell	P G Ridgwell	**55**	55
The Salter Consultancy LLP	P Salter	**69**	54
		124	254

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 £277k (2014 – £nil) at 31 March 2015.

Transactions between the Company and its subsidiaries are as follows:

Amounts due to related parties

	31 March 2015 £'000s	31 March 2014 £'000s
Renshaw Napier Limited	**42,008**	35,825
Rainbow Dust Colours Ltd	**3,208**	—

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.

30. Related party transactions (continued)

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 2015 £'000s	31 March 2014 £'000s
Real Good Food Europe SA	**838**	323
Haydens Bakery Limited	**707**	2,883
Napier Brown Sugar Limited	**1,527**	—
Napier Brown Foods Limited	**41,800**	40,935
RGFC Dust Limited	**281**	—

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 31 March 2012 actuarial valuation has been approximately updated to reflect liabilities on the accounting basis at 31 March 2015. This has resulted in a deficit in the scheme of £5,688,000.

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 2015 £'000s	31 March 2014 £'000s	31 March 2013 £'000s	31 December 2012 £'000s	31 December 2010 £'000s
Present value of defined benefit obligation	**21,799**	19,033	19,153	17,085	16,212
Fair value of plan assets	**(16,111)**	(15,360)	(15,613)	(16,005)	(16,308)
Deficit/(surplus) in plan	**5,688**	3,673	3,540	1,080	(96)
Amount not recognised in accordance with IAS 19	**—**	—	—	—	96
Gross amount recognised	**5,688**	3,673	3,540	1,080	—
Deferred tax at 20% (2014 – 23%)	**(403)**	(735)	(814)	(259)	—
Net liability	**5,285**	2,938	2,726	821	—

Notes to the Financial Statements (continued)

Year ended 31 March 2015

31. Pensions arrangements (continued)

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

	31 March 2015 £'000s	31 March 2014 £'000s
Defined benefit obligation at start of period	**19,033**	19,153
Interest cost	**857**	879
Actuarial losses	**3,122**	12
Benefits paid, death in service insurance premiums, expenses and past service costs	**(1,213)**	(1,011)
Defined benefit obligation at end of period	**21,799**	19,033

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

	12 months ended 31 March 2015 £'000s	12 months ended 31 March 2014 £'000s
Fair value of scheme assets at start of the period	**15,360**	15,613
Expected return on scheme assets	**695**	720
Actuarial (losses)/gains	**885**	(382)
Contributions paid by the Group	**457**	320
Benefits paid, death in service insurance premiums and expenses	**(1,286)**	(911)
Fair value of scheme assets at end of the period	**16,111**	15,360

The actual return on the scheme assets over the period ended 31 March 2015 was £1,580k (2014 – £338k).

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

	31 March 2015 £'000s	31 March 2014 £'000s
Interest on liabilities	**857**	879
Expected return on scheme assets	**(695)**	(720)
Past service cost	**73**	(100)
Total income	**235**	59

Statement of recognised income and expenses

	31 March 2015 £'000s	31 March 2014 £'000s
Difference between expected and actual return on scheme assets: gain/(loss)	**885**	(382)
Experience gains and losses arising on the scheme liabilities: loss	**—**	—
Actuarial gains/(losses) arising from changes in demographic assumptions	**(11)**	352
Actuarial gains/(losses) arising from changes in financial assumptions	**(3,111)**	(364)
Total amount recognised in Statement of Other Comprehensive Income	**(2,237)**	(394)

31. Pensions arrangements (continued)

Assets

	31 March 2015 £'000s	31 March 2014 £'000s	31 March 2013 £'000s
UK equity	**1,759**	1,977	869
Overseas equity	**4,634**	5,141	4,058
Absolute return fund	**4,126**	3,929	3,444
Bonds	**933**	1,798	2,588
Gilts	**1,382**	645	406
Property	**354**	301	390
Cash	**1,444**	748	1,889
Alternative assets	**1,479**	821	1,969
Total assets	**16,111**	15,360	15,613

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 2015 % per annum	31 March 2014 % per annum	31 March 2013 % per annum	31 December 2012 % per annum
Inflation	**2.90**	3.30	3.20	2.90
Salary increases	**—**	—	—	—
Rate of discount	**3.45**	4.65	4.70	5.00
Allowance for pension in payment increases of RPI or 5% p.a. if less	**2.80**	3.20	3.10	2.80
Allowance for revaluation of deferred pensions of RPI or 5% p.a. if less	**1.90**	2.20	1.90	1.90
Allowance for commutation of pension for cash at retirement	**90% 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 2015 imply the following life expectancies:

Male retiring at age 65 in 2015	21.8 years
Female retiring at age 65 in 2015	23.8 years
Male retiring at age 65 in 2035	22.7 years
Female retiring at age 65 in 2035	24.9 years

Notes to the Financial Statements (continued)

Year ended 31 March 2015

31. Pensions arrangements (continued)

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.

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 2015 £'000s	31 March 2014 £'000s	31 March 2013 £'000s	31 March 2012 £'000s	31 December 2011 £'000s
Fair value of assets	**16,111**	15,360	15,613	16,005	16,308
Defined benefit obligation	**(21,799)**	(19,033)	(19,153)	(17,085)	(16,212)
Surplus/(deficit) in scheme	**(5,688)**	(3,673)	(3,540)	(1,080)	96
Experience adjustment on scheme assets	**885**	(382)	208	(984)	578
Experience adjustment on scheme liabilities	**—**	—	(1,923)	(46)	387

32. Discontinued Operations

On 1 April 2015, the Group announced its intention to dispose of its Napier Brown sugar business. However, the Group was committed to a plan to sell the businesses prior to March 2015, therefore the assets have been classified as held for sale. The disposal is consistent with the Group's strategy for the sugar business, which was always heavily influenced by the regulatory framework of the EU sugar regime, and allows it to focus on its remaining businesses.

The Napier Brown sugar business constituted a reporting segment in accordance with IFRS 8.

The Share purchase agreement was entered into with Tereos Participations Sa on 29 April 2015 and the divestment was completed on 19 May 2015 for sale proceeds of £44.4 million. The transaction costs to sell were £1.9 million. The completion accounts have been finalised.

The Group has not recognised any impairment losses in respect of the Napier Brown business, neither when the assets and liabilities of the operation were reclassified to held for sale nor at the end of the reporting period.

The results of the discontinued operations for both the year ended 31 March 2015 and the comparative year have been shown seperately on the face of the Consolidated Statement of Comprehensive Income on page 33. The Segment has been shown as a discontinued operation in the segment reporting note on page 48.

See note 15 for the Earnings per ordinary share split between continued and discontinued operations.

Cash Flows from Discontinued Operations

	2015 £'000	2014 £'000
Net cash inflows from operating activities	**(5,413)**	(8,468)
Net cash inflows from investing activities	**(1,750)**	(2,397
Net cash outflows from financing activities (including repayment of inter-company funding)	**(7,163)**	(10,865)

32. Discontinued Operations (continued)

Assets Held For Sale

The major classes of assets and liabilities of the Napier Brown business at the end of the reporting period are set out below:

	2015 £'000
Goodwill (note 16)	**12,000**
Property, plant and equipment (note 18)	**7,980**
Inventories (note 21)	**6,199**
Trade and other receivables (note 22)	**14,829**
Other financial assets	**398**
Assets of Napier Brown business classified as held for sale	**41,406**
Trade and other payables (note 24)	**13,724**
Borrowings (note 23)	**12,883**
Other financial liabilities	**398**
Liabilities of Napier Brown business classified as held for sale	**27,005**
Net assets of Napier Brown business classified as held for sale	**14,401**

33 Acquisitions

The Group acquired 100% of the share capital of Rainbow Dust Colours Ltd on 20 January 2015. The shares were purchased through a newly created subsidiary of Real Good Food Plc called RGFC Dust Ltd.

Rainbow Dust Colours Ltd. is a specialist supplier of cake decorating products to the sugarcraft industry, including coloured edible glitters, dusts, sprinkles and food paints.

The Real Good Food management believes that there are considerable synergies between Rainbow Dust Colours and RGF's successful baking ingredients business, Renshaw, and the acquisition is expected to bring mutual benefits to the two businesses, particularly in developing new products, driving growth in exports and opening up new sales channels.

Notes to the Financial Statements (continued)

Year ended 31 March 2015

33 Acquisitions (continued)

Table of the assets and liabilities acquired and the purchase consideration

	Total £'000
Non-current assets	
Property, plant and equipment	201
Current assets	
Inventories	812
Trade and other receivables	744
Cash and cash equivalents	205
Total assets	1,962
Current liabilities	
Trade and other payables	(672)
Deferred tax	(13)
Total liabilities	(685)
Net assets of businesses acquired	1,277
Initial cash consideration paid	4,000
Contingent purchase consideration	3,500
Total consideration	7,500
Goodwill arising on current year acquisitions	6,223

Effect on 2015 Results

The Rainbow Dust Colours Ltd profit of £418k for the 3 months to 31 March 2015 have been included in the consolidated figures, see note 5 Segment analysis for further information.

Acquisition costs amounting to £281k have been shown as significant costs in the consolidated accounts of Real Good Food plc as disclosed in note 6 of the accounts.

At the date of acquisition cash in Bank at Rainbow Dust Colours Ltd was £2,757k. The excess cash of £2,552k was repaid back to original owners post balance sheet date and has been included in current liabilities.

The contingent purchase consideration is a deferred consideration of £3.5 million which is performance related and will be earned depending on achievement of an agreed gross profit figure at the end of the first 12 months of trading. It is expected that this amount will be paid before the end of March 2016.

A review of the assets and liabilities of the acquired business has been undertaken and it was determined that no fair value adjustments to assets and liabilities was required. It was also determined that the trade debtors were all collectable and no provision was required.

The Rainbow Dust Colours Ltd trading for the 3 months January to March 2015 have been included in the accounts of the Group in the amounts of Revenue £755k and Operating Profit £418k If the business had been owned for the full year then Revenue would have been increase by a further £2,267k and Operating Profit by £1,187k.

34 Subsequent Events

Post the balance sheet date the Group disposed of its sugar business Napier Brown as disclosed in note 32. Following receipt of the proceeds of this sale the Group fully settled its obligations due to PNC business credit as described in note 23.

Advisers

Directors
P W Totté
M J McDonough
P G Ridgwell
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