Real Good Food plc

Cake Decoration • Food Ingredients • Premium Bakery

Annual Report and Accounts

For the year ended 31 March 2016

Stock code: RGD

Welcome

Real Good Food plc

Real Good Food operates in three pillar markets: Cake Decoration, Food Ingredients and Premium Bakery.

Cake Decoration • **Food Ingredients** • **Premium Bakery**

Cake Decoration	Food Ingredients	Premium Bakery
Renshaw, Renshaw Europe, Rainbow Dust Colours	R&W Scott, Garrett Ingredients, GI Nutrition	Haydens, Chantilly Patisserie

Investor Proposition

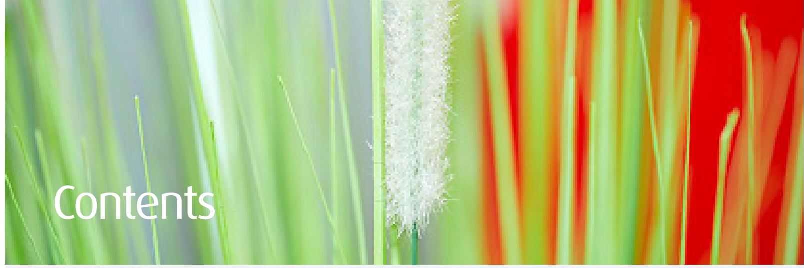
- Experienced senior management team with strong heritage in food manufacturing
- Diversified business markets: cake decoration, food ingredients, and premium bakery
- Diversified market sectors including: retail, manufacturing, wholesale, foodservice and export
- Market-led growth strategies identified for each division
- Strong financial platform and balance sheet enabling investment for growth
- Emphasis on product development, innovation and sales growth
- Track record of successful bolt-on, earnings enhancing, acquisitions

www.realgoodfoodplc.com

Navigating the Report

For further information within this document and relevant page numbers

Additional information online



Contents

Highlights

Operating Highlights

- Following the successful disposal of Napier Brown, which generated a profit of £9.1 million the Group made a statutory profit before tax of £12.9 million in the year
- Disposal transformed the Group balance sheet reducing net debt from £30.1 million down to £5.1 million
- Group restructured into three pillar markets with stand-alone business strategies for each
- Continuing investment strategy in core markets and across business assets to drive operating efficiency and future EBITDA growth
- Acquisition strategy progressing to plan: Rainbow Dust Colours (January 2015); ISO2 Nutrition (December 2015); Chantilly Patisserie (February 2016) successfully completed
- New Development Centre in Liverpool opened providing a base for our Group plc support functions (Technical, IT, HR, Operations) and a state-of-the art Innovation Centre for new product development
- Launch of 'Renshaw Academy' to further monetise the Renshaw brand and to cement our position as industry leader in the global cake decorating market
- Strong financial and operational platform in place for future growth in all three pillar markets: Cake Decoration, Food Ingredients and Premium Bakery

* Throughout this report an underlying EBITDA is calculated as operating profit before depreciation, amortisation and significant items: see note 5.

Read more in the Finance Review on pages **17** to **19**

GROUP REVENUE
£113.7m
2015 **£232.9m**

GROUP EBITDA*
£5.0m
2015 **£2.0m**

GROSS PROFIT
£28.0m
2015 **£35.9m**

CONTINUING OPERATIONS REVENUE
£100.4m
2015 **£104.6m**

CONTINUING OPERATIONS EBITDA
£5.0m
2015 **£5.3m**

CONTINUING OPERATIONS GROSS PROFIT
£26.7m
2015 **£25.6m**

Group at a Glance

Real Good Food operates in three distinct market sectors: Cake Decoration, Food Ingredients and Premium Bakery.

Three pillar markets

While each Division comprises individual business units, Group employees work to set overall Divisional strategies based on market understanding and ensure cooperation between the businesses so that synergy opportunities are realised.

Real Good Food

Cake Decoration • Food Ingredients • Premium Bakery

	Cake Decoration	Food Ingredients	Premium Bakery
TURNOVER	£48.3m	£22.7m	£29.4m
EBITDA	£7.3m	£(0.1)m	£0.7m
EMPLOYEES	356	121	480

Read more on page 8
Read more on page 10
Read more on page 12

Cake Decoration

Renshaw manufactures sugarpaste, marzipan, soft icings, mallows and caramels and sells across a broad range of sales channels: mainstream and specialist retail, wholesale, foodservice and food manufacturing as well as export. **Rainbow Dust Colours** produces a range of edible glitters, dusts, powders and food paints, brushes and pens for the specialist sugarcraft sector. **Renshaw Europe** sells, markets and distributes both Renshaw and Rainbow Dust products across continental Europe.

Renshaw: **Liverpool** 318 employees

Rainbow Dust Colours: **Preston** 28 employees

Renshaw Europe: **Brussels** 10 employees

Food Ingredients

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 manufacturers across the UK. Through **GI Nutrition**, it also manufactures and sells whey protein supplements and sports nutrition products through retail and specialist sales channels. **R&W Scott** manufactures chocolate coatings, sauces, jams and dry powder blends for industrial, retail, wholesale and foodservice markets.

Garrett Ingredients: **Thornbury, near Bristol** 20 employees

GI Nutrition: **Swindon** 6 employees

R&W Scott: **Carluke, near Glasgow** 95 employees

Premium Bakery

Haydens bakes premium tarts, pies and crumbles, Danish, sweet buns, yum yums and doughnuts and sells to major retail customers and through foodservice channels. It operates both an ambient and frozen supply chain. It also operates a same day consolidation service for all Waitrose stores for both Haydens and third party products. **Chantilly** manufactures premium quality frozen desserts (e.g. gateaux, cheesecakes, tarts and flans) and sells them to pubs and restaurants.

Haydens: **Devizes, Wiltshire** 450 employees

Chantilly: **Paignton, Devon** 30 employees

Chairman's Statement

We now operate in three pillar markets: Cake Decoration, Food Ingredients and Premium Bakery

Pieter Totté
Executive Chairman

The year to 31st March 2016 saw the Group make a pre-tax profit of £12.9 million following the hugely successful disposal of Napier Brown which generated an exceptional profit of £9.1 million. While underlying EBITDA for the continuing businesses was largely flat, the Napier Brown sale has transformed our balance sheet (net debt at the year-end improved from £30.1 million to just £5.1 million) and thereby enabled us to begin a strategy of investing in building strategic positions in our core markets. In this respect the Napier Brown case history (building and investing strategically for the long term) is a model for what we intend to do in our remaining markets.

We have spent the time since the Napier Brown disposal reviewing our strategy, clarifying our focus and restructuring the business accordingly. We now operate in three pillar markets (Cake Decoration, Food Ingredients and Premium Bakery) and our objective will be to build scale and strategic positions in each of these through organic growth, targeted investment and bolt-on acquisitions as appropriate.

Each market has different characteristics and will generate different returns and our plans will reflect this. We will also evolve our management structures and approach to make sure that the potential for each of these divisions is maximised.

We have made progress on a number of fronts. In Cake Decoration, the acquisition of Rainbow Dust Colours in January 2015 has now been fully integrated and it is a core part of this division. It will now be selling Renshaw products directly to some of its specialist customers who would prefer to have a one-stop shop. We have also recognised increased potential for tackling the cake decoration market globally and intend during the course of the next 12 months to create a global range under the Renshaw brand. While there may be the need to tailor locally either for reasons of different legislation or local tastes, the essential market positioning of the Renshaw brand and products will be the same. To provide additional focus for this initiative we have renamed our European business 'Renshaw Europe' and also set up

Above: This Avatar cake was displayed at the opening of Wavertree Development Centre

a US company (Renshaw US Inc.) to drive this initiative. We see similar potential in Australasia and elsewhere. The transition from being just a manufacturer of products for other people to becoming a market and brand-led player (both with Renshaw and Rainbow Dust Colours) will be profound.

Food Ingredients is a very different market where inevitably margins are lower but we also see increasing opportunities for providing added value. The acquisition of ISO2 Nutrition is an example of finding a niche in an area of our competences (whey protein is the main ingredient) and thereby providing diversification for Garrett Ingredients from its commodity base in dairy powders and sugar. Both these commodity sectors have been extremely difficult over the past two years with prices hitting record lows. There are already signs, particularly in sugar, that prices will rise, but our strategy is to reduce our reliance on this and seek more lucrative and sustainable sectors. We also believe that customer service and an efficient supply chain are important factors in this market and we continue to investigate how we can build competitive advantage in this way.

Read more about Renshaw in Our Strategy on page **6**

In Premium Bakery, the acquisition of Chantilly Patisserie is a perfect example of the type of business we are keen to acquire and build on. It operates in a small but fast growing market niche – high quality out-of-home desserts. The business brings to us great skills in product and specific customer knowledge while we can help it grow and extend its technical capabilities and customer reach. Meanwhile, we have determined on a very clear vision for our core business in this sector, Haydens, by increasingly focusing on fewer product lines and product sectors – producing many more of fewer products and thereby doing it better and generating better returns. Part of this initiative is to produce a branded range from Haydens in the coming year. We also see significant opportunity to use our stronger cash resources to automate non-added value processes which will both reduce costs and improve quality and consistency.

We have also been evolving our management model. While we believe in local accountability for stand-alone businesses we increasingly see divisional opportunities and the value which expert Group functions can deliver. To this end the opening of our new Development Centre in Liverpool is central to our strategy. The centre provides three things: first, a base for our Group support functions (Technical, IT, HR, Operations) which previously had been squeezed into the Renshaw Crown Street site; secondly, a state-of-the-art Innovation Centre for our

Read more about Chantilly on pages **6** and **12**

Group new product development and applications teams who previously had to use only site- based equipment. The food industry is fast moving with consumers becoming ever more demanding in terms of health, quality, shelf life, convenience and personalisation. The challenge is to find technical and process solutions to deliver these benefits to consumers and our Innovation Centre team are fully focused on this with a number of exciting projects in the pipeline.

Finally the Development Centre houses our new ‘Renshaw Academy’. This initiative is part and parcel of the Renshaw global range launch and will be the main marketing support vehicle for it. Consumer aspiration to improve cake decorating skills is a global phenomenon and the Renshaw brand has the reputation as the expert and thus is well placed to lead the market both in terms of product range and customer and consumer inspiration. More detail on our plans is given later in this report.

Outlook

The food industry faces challenging times with diversifying sales channels, increasing legislative burdens, the growth in the minimum wage and ever-demanding consumers. The response to these trends requires being alert to all these factors and having the resources to invest and adapt. In this respect I am confident that with our clear strategy and strong balance sheet we are in a good position to build three increasingly strong businesses in our three pillar markets.

Trading in the first three months of the new financial year has been satisfactory; with recent order intake positive, and with the investments we are making, I am confident that we will deliver growth across all three divisions.

Pieter Totté
Executive Chairman

Group Strategy

The Group will deliver shareholder value by building long term sustainable businesses in its three pillar markets of Cake Decoration, Food Ingredients and Premium Bakery.

Each of these markets has different characteristics and our strategies will be tailored to the specific market needs but with the common theme of building long term sustainable growth.

MARKETPLACE

Cake Decoration

Cake Decoration is a growing and global market with a spectrum of consumers from experts to beginners and a wide range of trade channels. The market displays many similar characteristics to hobby, leisure and fashion markets and as such has the potential for above-average returns compared to the food industry average. At the same time the need to invest in innovation and manufacturing and supply chain flexibility is paramount.

Food Ingredients

Food Ingredients is a broad market sector and with major product sectors driven by commodity pricing. However, within this, there are a number of sources of competitive advantage and added value. Customer service and logistics can be a significant differentiator while technical support and (in traded products) full traceability is an important element in the customer proposition.

Premium Bakery

Premium Bakery is a growing sector with volume in commodity bakery in decline alongside growth in value as consumers migrate to higher value premium offerings both in home and increasingly out-of-home. Health concerns are relevant but high quality, indulgent and occasional treats still represent a growing opportunity. New product development is an important facet of the market with opportunities to deliver healthier yet still indulgent eating products a particular focus.

STRATEGY

Real Good Food will utilise Renshaw as its global brand to access this market, leveraging its strong ‘The Professionals Choice’ reputation. The launch of ‘The Renshaw Academy’ will be used to underpin and build its global reputation as well as being a showcase for all Real Good Food cake decoration products both from Renshaw and Rainbow Dust Colours. As well as holding courses at the Academy facility in Liverpool, the Academy will build a network of global ambassadors for the Renshaw Academy. Courses will also be webcast to international audiences.

Real Good Food will focus on its core competences of dairy and sugar trading as well as chocolate coating, jam, fruit preparations and sauces manufacture and seek to develop added value opportunities on this strong base. The acquisition of the sports nutrition brand ISO2 Nutrition (using whey protein), the development of high quality sauces for manufacturing and retail and of soft fillings for the confectionery manufacturing industry are examples. Supply partnerships and distributorships will be a part of developing the portfolio.

Real Good Food will focus on a number of products and processes where it has product quality leadership – e.g. Danish, yum yums, frozen desserts. Haydens will launch a branded range to showcase its product excellence and extend its retail presence while the acquisition of Chantilly Patisserie not only represents an extension of the range portfolio but facilitates greater access to out-of-home eating occasions. Investment will be made in automating non-added value processes provided they maintain or even enhance product consistency and quality.

The Real Good Food DEVELOPMENT CENTRE

This new facility opened in May 2016 and is central to Group strategy providing direct support to the growth of each division.

The building houses central Group support functions of technical, IT and Digital, HR and Operations.

It also contains the Group Innovation Centre, a world class facility looking to develop new products for the businesses using emerging technologies in product, process and packaging. The Innovation Centre will also be a source of inspiration for customers on applications for Real Good Food product ingredients, be they for cake decoration or other ingredients.

Finally the building contains the new 'Renshaw Academy'. The vision for this is to be 'the most inspirational cake decorating academy in the world' providing a showcase for all of Real Good Food's cake decorating products. The school will encompass both cake decorating experts as well as the less highly skilled hobbyists and teach both traditional and contemporary methods and techniques. It will be a revenue generating facility though its primary objective will be to underpin the excellence of the Renshaw brand reputation.

CASE HISTORY **Product Innovation**

Real Good Food has considerable expertise in producing highly functional sugarpaste (icing); the Renshaw brand has a long-established reputation as the benchmark product for professional cake decorators who require stringent standards of strength and elasticity to produce the perfect looking cake. The Innovation team was briefed to look at the potential of a product which maintained these essential functional characteristics but also incorporated improved taste and texture for consumers wanting a more everyday product. This has involved combining traditional icing with in-house manufactured caramel and chocolate through careful control of water activity, fat levels, emulsification and natural gum systems. This blending of a number of Real Good Food's manufacturing capabilities to produce a product which meets the increasing market for indulgently eating products is a good example of how the central Innovation team will operate. The new product will launch in 2017.

Divisional Business Review

Real Good Food

Cake Decoration

2015/16 Performance

Sales revenue was slightly down on the previous year as Renshaw removed a manufacturing contract and Renshaw Europe lost a private label contract. Sales of Renshaw brand, however, grew as the company focused on developing its branded proposition. Export sales outside Europe showed strong growth. At Rainbow Dust Colours, sales of Progel© food colouring and metallic food paints in particular showed good growth, both areas where we have clear product superiority. As the market matures opportunities are appearing in more mainstream retailers such as Hobbycraft and John Lewis.

Pictured: Cupcakes – stencil design using Rainbow Dust 'Plain & Simple'

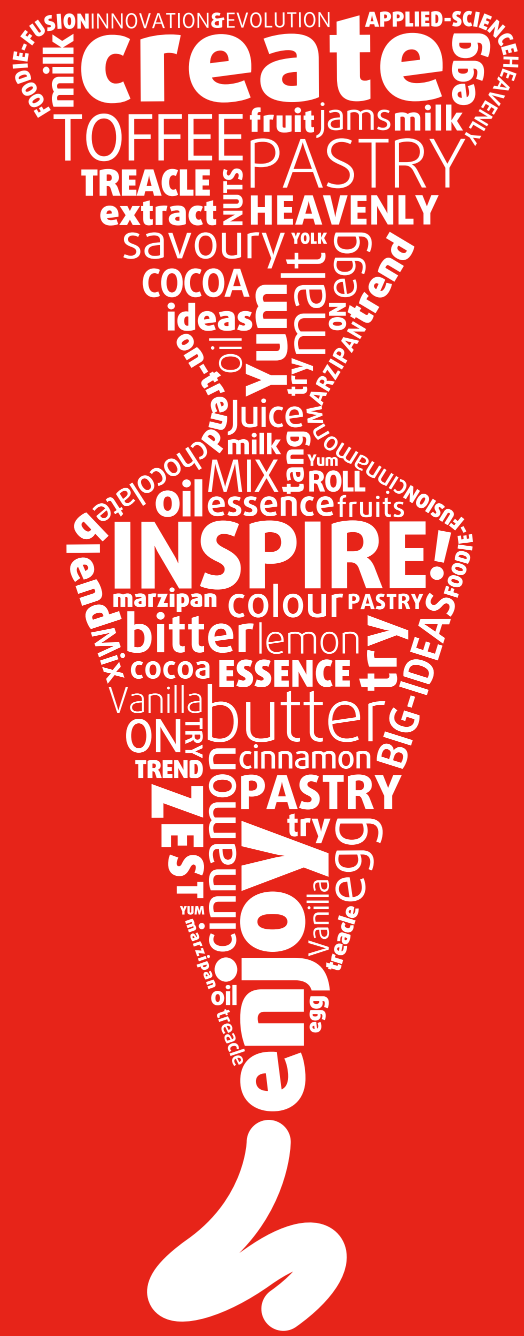
Forward Plans

The new focus on developing a global branded range will take shape during the course of 2016. A relaunch of the core sugarpaste range in upgraded packaging is already having a strong impact in the market as is the introduction of 'Renshaw Extra', a firmer and more elastic product designed for European tastes and also more effective in hotter climates. Further significant product initiatives will be launched in early 2017. At Rainbow Dust Colours a number of major product initiatives are also in place; a relaunch of the 'food art' pens, an upgraded recipe on matt food paints and new multi-lingual packs on Progel©.

12 MONTHS TO MARCH	2015/2016 £m	2014/2015 £m
Revenue	**48.3**	49.2
EBITDA	**7.3**	6.5
Operating profit	**6.5**	5.5
Operating profit %	**13.5**	11.2


ESTD 1898
RENSHAW
THE PROFESSIONALS CHOICE


RAINBOW DUST
COLOURS


FOODIE-FUSION
INNOVATION&EVOLUTION
APPLIED-SCIENCE
HEAVENLY
milk
create
egg
TOFFEE
fruit
jams
milk
PASTRY
TREACLE
NUTS
extract
HEAVENLY
savoury
YOLK
COCOA
ideas
Yum
malt
egg
ON
trend
oil
try
MARZIPAN
on-trend
Juice
chocolate
milk
tang
cinnamon
MIX
Yum
ROLL
FUSION-
oil
essence
fruits
blend
INSPIRE!
FOODIE
marzipan
colour
PASTRY
Mix
bitter
lemon
try
cocoa
ESSENCE
BIG-IDEAS
Vanilla
butter
ON
TRY
TREND
cinnamon
ZEST
PASTRY
try
cinnamon
enjoy
egg
Vanilla
YUM
marzipan
treacle
oil
egg
treacle

Divisional Business Review

Real Good Food

Food Ingredients

2015/16 Performance

Revenues were significantly down year on year due to unprecedented commodity price deflation particularly in sugar and dairy. Both these markets experienced record low levels of prices; sugar was impacted not only by weak world prices but also in Europe ahead of the ending of quotas in 2017, while dairy, where quotas have already ended, was affected by the Russian export ban. In this context Garrett Ingredients did well to increase its traded dairy volumes though sugar sales fell slightly. The acquisition of ISO2 Nutrition generated a modest amount of sales but set-up costs led to a small overall loss in the year. Sales volume was slightly ahead of the previous year at R&W Scott though again price deflation led to a marginal revenue decline. Investment in management teams at both businesses led to higher costs and a decline in EBITDA. Both businesses are now fully equipped to run on a stand-alone basis and develop their growth plans.

R&W Scott

Garrett Ingredients

Pictured: R&W Scott chocolate sauce

Forward Plans

Garrett Ingredients is well placed to benefit from any upturn in sugar and dairy pricing and will build sales in sports nutrition. At R&W Scott a number of product initiatives (soft fillings, fruit fillings, sauces, curds, mallows and premium jams) have been developed and are being sold across all channels. The investment in jam capacity at R&W Scott, which caused some disruption last year, should begin to yield benefits. R&W Scott will also significantly increase its supply into other Real Good Food companies (especially Haydens) facilitated by the central Innovations team.

12 MONTHS TO MARCH	2015/2016 £m	2014/2015 £m
Revenue	**22.7**	27.0
EBITDA	**(0.1)**	0.5
Operating (loss)/profit	**(0.4)**	0.3
Operating (loss)/profit %	**(2.0)**	1.1


R&W Scott
est 1880
CARLUKE~SCOTLAND


Garrett Ingredients


create
THINK
INSPIRE
CHOCOLATE
enjoy
MARZIPAN
CAKE
bake

Divisional Business Review

Real Good Food

Premium Bakery

2015/16 performance

Despite narrowing its product range Haydens grew its sales by 4% year on year with the growth rate quickening to 12% in the second half of the year. Customer service was excellent over the critical Christmas and Easter periods but at a cost of significantly increased labour which impacted margins leading to a decline in EBITDA over last year. The extension of the customer base had a positive effect on sales but product complexity remains the challenge and is being addressed with an even greater focus on fewer product lines. The impact of this was already being seen in the final quarter.

The Chantilly acquisition took place late in the year with sales and margins in line with expectations.

Pictured: Chantilly Rich Chocolate & Raspberry tear

Forward plans

The process of further focusing on core lines and processes where Haydens has recognised product superiority will continue. Part of this will be the launch of a small range of branded premium indulgent sweet treats which will be sold to a range of customers and generate significant scale. The Chantilly acquisition has already highlighted a number of cross selling opportunities (both opportunities for Haydens within foodservice and also Chantilly within retail) which will be pursued. There are a number of opportunities for automating non-added value, manual processes and these will be prioritised against the scale achieved in each product sector.

12 MONTHS TO MARCH	2015/2016 £m	2014/2015 £m
Revenue	**29.4**	28.4
EBITDA	**0.7**	1.3
Operating (loss)/profit	**(0.1)**	0.4
Operating (loss)/profit %	**(0.5)**	1.5


Haydens
DELIVERING NAUGHTINESS
SINCE 1976


INNOVATION & EVOLUTION
HEAVENLY
ON TREND
CREATE
INSPIRE
Cocoa
milk
EGG
tangy
Mix
MALT
ALMOND
oil
ON-TREND
nutmeg
sweet
TRY
creative
NUT
essence
ZEST
HEAVENLY
HONEY
BIGIDEA
oil
fruits
taste
PASTRY
Try
IDEAS
new
marzipan
bake
ROLL
YUM
mint
ESSENCE
bitter
TOFFEE
DELISH
art
spice
NUTS
SYRUP
jam
transformation
savoury
colours
FOODIE-FUSION
HONEY
tang
ONtrend
Icing
ENJOY
IN THE MIX
INNOVATION & EVOLUTION
CREATIVE
Butter
innovate
lemon
CINNAMON

Corporate Social Responsibility

We continue to develop our activities in a socially responsible manner. The last year has seen a number of key activities across the Group:

Business in the Community

We continue to work with Business in the Community to develop our approach to Corporate Social Responsibility.

A member of BUSINESS IN THE COMMUNITY

During the year with their help and support we developed a Responsible Business Framework for the Group, involving key stakeholders from each business. This provided a framework around our three core principles of People, Communities and Operational Responsibility. Key areas for action were identified as follows:

People	Communities	Operational Responsibility
Health & Safety	Charitable Giving	Environmental Management
Training & Development	Proactive involvement in local community	Ethical Trading
Recognition	Links with schools and colleges	Customer Engagement
Communication		Responsible Marketing
Health & Wellbeing		
Diversity & Inclusion		

Each business was tasked with developing its own action plans to determine exactly what it wanted to achieve and what could be done to support this. The Group Directorate is working closely with each business to develop those activities further and progress has been made throughout the year.

People

Health and Safety

All companies within Real Good Food have made improvements in health and safety performance over the last year. See table below. Rainbow Dust Colours, acquired in January 2015, has been introduced to the Real Good Food Safety Management System and has been included within the Real Good Food audit programme.

Common areas for further continuous improvement have been identified as:

1. Risk Assessments & Safe Operating Procedures: These include Site Transport, Manual Handling and DSEAR (Dangerous Substances and Explosive Atmospheres Regulations)
2. Safety Training
3. Machinery (Provision & Use of Work Equipment Regulations) Assessments
4. Effective planned preventative maintenance
5. Business continuity plans are progressing well across all sites
6. DSEAR – actions have been identified as part of individual site risk assessments
7. Occupational Health – a new programme for routine screening is required to include new starters, audiometry, spirometry

Talent Development

2015–16 has seen the Group further develop and strengthen its management teams across all businesses ensuring we are fit to meet the challenges of the future, both internationally and in the UK.

We seek to recruit the people of the highest calibre and commit to their ongoing development upon joining our Group. To this end we have continued to develop our people through our leadership development programme across the Group and are now seeing the benefits of our investment during the last three years in our leadership teams. Clear roles and accountability, coupled with behaviours consistent with our 'RECIPE' values are being demonstrated through improved operational performance and employee retention rates.

Our leadership framework is being further developed with the clear objective of the creation and development of high performing teams across the Group and 2016–17 will see its conclusion and launch to our leadership and management teams.

COMPANY	AUDIT SCORE 2015	AUDIT SCORE 2014
Haydens Bakery	**94%**	90%
Renshaw Liverpool	**90%**	88%
R&W Scott – Carluke	**86%**	82%
Rainbow Dust – Preston	**35%**	Recent Acquisition

Above: The presentation of the new Super MAD Award

Involvement

We seek to involve and empower our people in key business development activities and one such example in March of this year was when a team of key operatives and engineers from Renshaw spent a week in Switzerland providing input to and receiving training on a significant new process whilst it was being built and before it was commissioned and installed in our factory at Renshaw. The involvement of the team at the outset was crucial to its success when installed and the performance of this process in the factory at Liverpool has been outstanding with full ownership by the team.

Reward and Recognition

Our MAD (Made a Difference) award scheme saw many awards made across the Group throughout the year, with colleagues being nominated by their peers and recognised and rewarded for exceptional performance, above and beyond the call of duty.

This year, we held the first Group Super MAD Award, with the best of the best from around the Group being nominated by their businesses and rewarded and recognised at a ceremony with our Chairman at the new Development Centre in Wavertree.

Communities

Charitable Giving

Renshaw

2015–16 saw the Renshaw team raise in excess of £5,000 for Cancer Research in memory of a colleague who had passed away during the year. This was raised by raffles, charity race nights and the annual Santa Dash in Liverpool.

The business supported such activities by way of donating prizes, paying for race entry fees and making donations to worthy causes local to site such as care homes and schools.

R&W Scott

As usual the R&W Scott team showed their commitment to local causes and fundraising during the year. Support and promotion of the local Carluke Jam & Ham Festival, hosting local primary school visits and fundraising activities were all highlights of the year.

Below: The Charity run at Carluke
The Charity walk by Rainbow Dust

Haydens

Over the past 12 months Haydens donated cakes to at least one local event every month varying from school fundraising events and fire station fun days to the Wiltshire Air Ambulance Volunteers Christmas party. The Wiltshire Air Ambulance continued to be the Haydens 'Chosen Charity of Choice' and during the year a group from the bakery visited its head office to understand more fully the vital role it plays in the local community

Rainbow Dust

A team from Rainbow Dust undertook the gruelling Yorkshire three peaks challenge raising over £3,000 for a local hospice.

Schools and Colleges

Work experience initiatives and school visits continue across the Group in all businesses and our collaboration with local colleges and universities continues to bear fruit, with apprenticeships in place for engineers, food technologists and applications technicians.

As we seek to develop our Group digital strategy, we have created university placements for students at our new Development Centre. They will work closely with the existing team at Group level and across all of the businesses to implement and develop leading edge techniques to ensure our on-line presence is at the forefront, whilst also gaining valuable work experience.

2016 will see us sponsor a scholarship programme relevant to baking and confectionery skills – we have worked closely with further educational establishments to develop this programme which is to be launched imminently. We will provide support, guidance and materials to this exciting new development and look forward to reporting a successful launch of the programme next year.

Operational Responsibility

Modern Slavery

We have developed our statement on Modern Slavery and Human Trafficking which can be found on our website in full. As a responsible organisation we recognise our responsibilities and our commitment to ensuring an ethical approach to our activities remains at the forefront of all we do and throughout our supply chains.

Our commitment and support of the Ethical Trading Initiative continues with successful unplanned audits at Devizes and Liverpool during the year.

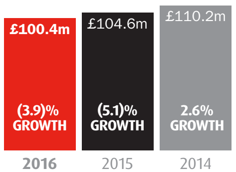
Key Performance Indicators and Risks

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:

REVENUE GROWTH

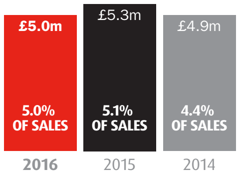
Revenue is calculated for continuing business and excludes sugar for 2014 and is from external sources only.



COMMENT: Revenue has fallen due to falling commodity prices and removal of manufacturing contracts.

EBITDA

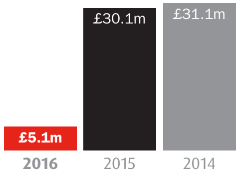
EBITDA is defined as earnings before significant items, interest, tax depreciation and amortisation.



COMMENT: EBITDA has held steady in what have been difficult food market conditions.

NET DEBT

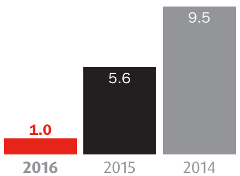
Net Debt is the total Group borrowings less cash at bank.



COMMENT: With the sale of Napier Brown Net Debt has reduced significantly.

DEBT COVER

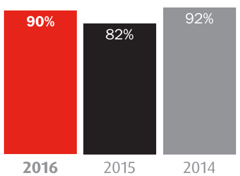
Debt cover is calculated by dividing total Net Debt by continuing EBITDA.



COMMENT: With the level of reduced debt and the maintenance of the EBITDA level then debt cover is at a comfortable level.

HEALTH & SAFETY SCORE

Health & Safety score represents a weighted average score across all sites and is measured by an external consultant. Figures are quoted for calendar years.



COMMENT: In 2014, measures were reset effectively toughening the measure by approximately ten percentage points.

Principal Risks

The Group operates in a continually changing environment and consequently our risks change over time. The assessment of risks and the development of strategies for dealing with them are dealt with on an ongoing basis through Group management and control processes. A formal review is carried out on an annual basis. This review includes the identification of risks and the likelihood of them impacting the business and the potential severity of that impact and the determination of what needs to be done to manage them effectively.

The Directors have identified the following as principal risks:

- Key Customers
- Customer Requirements
- Product Quality
- Labour Costs, Prices and Supply
- Health and Safety
- Raw Materials

Risks	Mitigation
Key Customers The Group has a number of key customers from which it derives its revenue. Its key customers tend to work without long term contracts	The Group works with its key customers to ensure product development and customer service matches expectations and is flexible to meet demands Sales and Marketing strategies are set to attract new customers and limit any reliance on one particular customer
Customer Requirements Changes in overall economy and consumer fashions may affect the marketability of the Group's offering	The Group Innovation Centre recently opened and the new product development teams at the individual operating businesses work together to ensure the Group is always looking at new product areas to be ahead of any changes in the markets
Product Quality Maintenance of product quality standards is vital to sustained sales performance	As a reputable food manufacturer our operating divisions rigorously enforce our technical policies and procedures in relation to production and storage of our products. Our larger divisions are all BRC accredited and our smaller divisions are SALSA accredited
Labour costs, prices and supply The Group employs an average of 1058 employees of which 743 are direct labour employees and its success depend on attracting and retaining quality staff at the correct skill level	The Group has established a strong HR team across all of its operating sectors, with strict recruitment criteria and processes Personal development reviews are carried out every six months to map out training and development needs
Health and Safety Any breach of Health and Safety legislation may lead to reputation damage and penalties	The Group has a compliance programme in place and this is audited by an external party to ensure that all legal and internal standards are met and adhered to
Raw Materials Raw materials used by the Group are subject to price fluctuations and market conditions	The Group purchasing managers liaise regularly to ensure best buying practices are maintained and volume advantages are earned On commodities, forward purchase contracts are entered into to ensure best prices are obtained and continuation of supply is maintained

Finance Review

The business is now fully focused on its three pillar markets which are Cake Decoration, Food Ingredients and Premium Bakery

David Newman
Group Finance Director

Below: The new Renshaw Academy

Overview

During this financial year the Group completed its segregation programme to achieve its model of each business unit being a stand-alone legal entity. It has also now fully focused the business on its three pillar markets and in this annual report will be reporting on the Group results based on those markets which are Cake Decoration, Premium Bakery and Food Ingredients. Comparative figures have been restated to reflect these markets.

Revenue

Group revenue for the 12 months ended March 2016 for continuing businesses was £100.4 million which is drop of 4% on the revenue to March 2015. This is the result of a move away from low margin contract business in Cake Decoration and also the low prices in the Food Ingredients markets.

Profit Measure on continuing operations

Delivered Margin on the continuing businesses for the overall Group has encouragingly increased to £21.1 million from £19.9 million. Cake Decoration has increased margins by 4% as it has concentrated on higher margin business and the benefit of the Rainbow Dust acquisition is felt for the full year.

Premium Bakery has maintained a 13% margin on increased turnover whilst the Food Ingredients pillar has maintained a 10% margin even though turnover has declined in what has been a difficult trading year.

EBITDA for the 12 months to March 2016 was £4.9 million, down by £0.5 million from March 2015 as the Group continued to invest in overheads to continue its drive towards a fully market led operation.

Statutory profit before tax has been boosted by the profit on sale of Napier Brown Sugar of £9.1 million and an exceptional write-back of a Rainbow Dust liability no longer required of £3.2 million, as the contingent conditions were not met. This has resulted in a statutory profit before tax of £12.9 million (March 2015 loss £3.5 million) giving a basic EPS of 18.36p per share (2015 loss per share 4.9p).

Financial Summary

	31 March 2016		31 March 2015	
	Continuing £'000s	**Total £'000s**	Continuing £'000s	Total £'000s
Revenue	**100,439**	**113,676**	104,580	232,868
Gross profit	**26,670**	**28,023**	25,561	35,925
Delivered Margin (Gross profit after distribution costs)	**21,303**	**21,507**	19.989	20,415
EBITDA*	**5,043**	**5,027**	5,319	1,960
Operating profit* (EBITDA less depreciation)	**3,082**	**2,998**	3,202	(741)
Operating profit %	**3.1%**	**2.6%**	3.1%	(0.3%)
Profit/(loss) before taxation*	**2,413**	**1,423**	2,101	(2,677)

* before significant items

Finance Review (continued)

Cash Flow and Net Debt

Following the sale of Napier Brown Sugar Ltd to Tereos in May 2015 and the receipt of the £44.4 million disposal proceeds the Group was able to repay all of its borrowings and to close its position with PNC Business Capital.

The Group was also at this time able to repay the Loan Note that had been outstanding with NB Ingredients since the acquisition of Napier Brown by Real Good Food.

The Group already had a relationship with Lloyds Bank plc for its daily banking arrangements and in September 2015 in order to cover working capital requirements and to fund the Group's acquisition policy this relationship was extended with the addition of a £10 million invoice finance facility.

As noted above with the sale of Napier Brown Sugar Ltd the Group was able to clear its borrowings with PNC and accordingly net debt has reduced significantly during the year finishing on 31 March 2016 at £5.1 million compared to £30.1 million at March 2015.

Cash generated from operations for the year was (£1.9 million) compared to £4.8 million in 2015 reflecting a higher working capital investment in the business due to higher commodity prices and more competitive trading leading to longer credit terms to customers.

The Group invested £6.4 million in tangible fixed assets, an increase of £4.2 million of 2015, reflecting the modernisation of the Group's factories and its facilities. This sum included £2.4 million on the new Group Innovation Centre.

Net Debt Summary

	31 March 2016 £'000's	31 March 2015 £'000's
Working Capital	**16,054**	7,557
(Inventories, trade and other receivables, trade and other payables)		
Net Borrowings (incl. Cash)	**5,067**	30,140
Net Debt/EBITDA	**1.0**	15.4

Acquisitions

The Group has been successful in acquiring two business during the year in accordance with its stated policy of looking for bolt-on acquisitions.

In December 2015 it acquired the ISO2 Nutrition sports supplement brand from the administrators of Cre8tive Health Ltd. This business has been integrated into Garrett Ingredients, part of the Food Ingredients sector, and is seen as an enabler to the entry into a new and interesting product and portfolio diversification. The total consideration was £15,995.

In February 2016 it acquired Chantilly Patisserie, based in Paignton, Devon, employing some 30 staff, and producing high quality, hand-made frozen desserts, supplying the foodservice sector, with customers such as Marston's Brewery, Warner Leisure, Brakes, and Country Range. The business complements the offering of Haydens extremely well and it is envisaged that significant commercial opportunities for both businesses will be identified as a result. The total consideration was £1.75 million.

Further details of these acquisitions are given in Note 33 to the accounts.

Capital Restructuring

During the year the Group held an extraordinary general meeting in order to get approval from shareholders to cancel its share premium reserve and transfer the amount into distributable reserves. This proposal was approved and an application was then made to the courts to complete this process. This was approved by the courts on 4 May 2016. This will be reflected in the financial statements for the year ended 31 March 2017.

Pension

The Group operates defined contribution pension schemes with contributions made to schemes administered by major insurance companies. Contributions to these schemes are set as a percentage of an employee's earnings.

The Group also operates a defined benefit pension scheme which has been closed to further benefit accrual since 2000. In preparation for the disposal of the sugar business it was decided to transfer the liability for this scheme out of J F Renshaw Ltd into Real Good Food plc.

The scheme deficit at 31 March 2016 was £6.1 million (2015 £5.7 million). Cash contributions to the scheme in the year ended 31 March 2016 amounted to £282,000 in line with the agreed recovery plan.

For further information see note 31 to the financial statements.

This report was approved by the Board on 31 July 2016.

P W Totté
Chairman

D P Newman
Finance Director

Board of Directors

Pieter Totté
Chief Executive

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.

David Newman
Finance Director

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 and was appointed Finance Director in September 2015.

Peter Salter
Non-Executive Director

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

Patrick Ridgwell
Non-Executive Deputy Chairman

Pat has extensive knowledge of the sugar industry and other food sectors having acquired and developed a number of food businesses during his career. He joined Napier Brown and Company in 1964 and became Managing Director in 1972 following its acquisition of his family interests in 1970. He is a director of Napier Brown Ingredients Ltd.

Jacques d'Unienville
Non-Executive Director

Jacques has nearly 20 years' experience of sugar and related industries (independent power production, waste and environment management and renewable energy) in France, the Seychelles and Mauritius. He is the CEO 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

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.

Executive Team

Andrew Brown

Group Brand and Marketing Director

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.

Heather Billington

Group HR Director

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

Finance Director

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 and was appointed Finance Director in September 2015.

David Wright

Group Operations Director

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.

Report of the Directors

The Directors present their report and audited financial statements for the 12 month period ended 31 March 2016.

Statement of Directors' responsibilities

The statutory Directors are responsible for preparing the Strategic Report, the Report of the Directors, other information included in the Annual Report 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 Group 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 13. The financial position of the Group, its cash flows and liquidity position are described in the Finance Review on pages 17 to 19. In addition, notes 23 and 25 to the financial statements include the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk. As detailed in note 23 to the financial statements, the Group has a successful banking arrangement with Lloyds Bank plc 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 that following the disposal of Napier Brown the Group's outstanding loans 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
- 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.

Below: Chantilly white chocolate and raspberry bar gateau

Principal continuing activities

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

Real Good Food Cake Decoration	Manufactures, sells and supplies cake decoration products and ingredients for the baking sector in the UK and abroad.
Real Good Food Food Ingredients	Sources, manufactures and supplies a range of food ingredients from bagged sugars and dairy powders to chocolate coatings and jams to food manufacturers, wholesalers and retailers.
Real Good Food Premium Bakery	Manufactures, sells and distributes added value bakery and dessert products to UK retailers 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 to 5 and 17 to 19 respectively.

Results and dividends

The Group's revenue from continuing operations for the 12 month period was £100,439k (2015 – £104,580k), yielding a gross profit of £26,670k (2015 – £25,561k) and an operating profit of £3,082k (2015 – £3,202k) from continuing operations before significant items.

The Group's profit for the period after taxation was £12,820k (2015 – Loss £3,409k) with continuing operations before significant items, delivering a profit of £2,375k as compared with £1,046k last year.

The Directors do not recommend payment of a dividend in respect of the 12 months ended 31 March 2016 (2015 – £nil).

Non-current assets

Details of changes in non-current assets are given in notes 16, 17 and 18 to the financial statements.

Report of the Directors (continued)

Directors

On 31 August 2015 M McDonough resigned from his position as Finance Director. On 15 September 2015 D P Newman was elected to the Board in the position of Finance Director.

The beneficial interests of the Directors in the ordinary share capital of the Company at the financial period end are set out below:

2016	31 March 2016	31 March 2015
P W Totté*	**2,716,124**	2,624,124
P G Ridgwell†	**22,502,354**	22,502,354
P C Salter	**181,000**	131,000
C O Thomas	**290,363**	240,363
D P Newman	**24,225**	24,225
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 791,124 shares directly.

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

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

Substantial interests

At 31 March 2016 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	29.7%

Directors' indemnities

The Company has paid £9,987 (2015 – £9,927) in respect of Directors' and Officers' Indemnity Insurance.

Corporate governance

As the Group is listed on AIM its is not required to apply a particular corporate governance code. However, the Board recognises the importance of good governance and has implemented corporate governance processes that are appropriate for a group of its size and resource constraints.

During the year the Group held an extraordinary general meeting in order to get approval from shareholders to cancel its share premium reserve and transfer the amount into distributable reserves. This proposal was approved and an application was then made to the courts to complete this process. This was approved by the courts on 4 May 2016. This will be reflected in the financial statements for the year ended 31 March 2017.

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 £5,568 (2015 – £1,918). No political donations were made during the current or previous financial period.

Research and development

During the period the Group incurred costs of £1,220k (2015 – £750k) 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.

This report was approved by the Board on 31 July 2016.

P W Totté
Chairman

D P Newman
Finance Director

Audit Committee Report and Remuneration Committee Report

Audit Committee Report

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

In addition, the Committee regularly reviews the Group's finance function with particular reference to internal financial controls and risk management and reporting systems. It also 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), the Committee also annually reviews the independence and objectivity of the auditor and the effectiveness of the audit. The Committee Chairman maintains a close dialogue with the auditor throughout the year to keep him apprised of relevant events.

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.

Cake decorating class at Renshaw Academy

In addition, the Committee oversees the Group's share option schemes both of which closed for issue of new options during 2015/16. The Committee is currently reviewing possible future incentive schemes.

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 as necessary regarding market salary levels and professional advice sought as required.

The remuneration of Non-Executive Directors 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 31 July 2016.

D P Newman
Finance Director

Independent Auditor's Report

to the shareholders of Real Good Food plc

We have audited the financial statements of Real Good Food Plc for the year ended 31 March 2016 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Company Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Statement of Cash Flows, the Company Statement of Cash Flows Statements, the Group and Parent Company Statement of Changes in Equity 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 auditors

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

Scope of the audit of the financial statements

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

In addition, we read all the financial and non-financial information in the Strategic Report, the Report of the Directors' and any other surround information to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in 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 2016 and of the group's profit 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 year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

Keith Newman
Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
Maidstone
31 July 2016

Consolidated Statement of Comprehensive Income

Year ended 31 March 2016

		Year ended 31 March 2016			Year ended 31 March 2015		
	Notes	Continuing Operations £'000s	Discontinued Operations £'000s	Total £'000s	Continuing Operations £'000s	Discontinued Operations £'000s	Total £'000s
REVENUE	4	**100,439**	**13,237**	**113,676**	104,580	128,288	232,868
Cost of sales		**(73,769)**	**(11,884)**	**(85,653)**	(79,019)	(117,924)	(196,943)
GROSS PROFIT		**26,670**	**1,353**	**28,023**	25,561	10,364	35,925
Distribution costs		**(5,367)**	**(1,149)**	**(6,516)**	(5,572)	(9,938)	(15,510)
Administration expenses		**(18,221)**	**(288)**	**(18,509)**	(16,787)	(4,369)	(21,156)
Significant items	6	**(945)**	**—**	**(945)**	(522)	(328)	(850)
OPERATING PROFIT/(LOSS)	8	**2,137**	**(84)**	**2,053**	2,680	(4,271)	(1,591)
Fair value gain on contingent consideration		**3,267**	**—**	**3,267**	—	—	—
Finance income	9	**—**	**—**	**—**	—	—	—
Finance costs	10	**(478)**	**(906)**	**(1,384)**	(866)	(845)	(1,711)
Other finance costs	11	**(191)**	**—**	**(191)**	(235)	—	(235)
Profit on disposal of discontinued operations		**—**	**9,145**	**9,145**	—	—	—
PROFIT/(LOSS) BEFORE TAXATION		**4,735**	**8,155**	**12,890**	1,579	(5,116)	(3,537)
Income tax (expense)/credit	14	**(439)**	**—**	**(439)**	(1,055)	1,005	(50)
Tax on discontinued business		**—**	**256**	**256**	—	—	—
Income tax on significant items	14	**113**	**—**	**113**	110	68	178
PROFIT/(LOSS) ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		**4,409**	**8,411**	**12,820**	634	(4,043)	(3,409)
OTHER COMPREHENSIVE LOSS							
Items that will not be reclassified to profit or loss							
Actuarial (losses)/gains on defined benefit plan		**(484)**	**—**	**(484)**	(2,237)	—	(2,237)
Income tax relating to components of other comprehensive loss		**35**	**—**	**35**	447	—	447
OTHER COMPREHENSIVE LOSS		**(449)**	**—**	**(449)**	(1,790)	—	(1,790)
TOTAL COMPREHENSIVE INCOME/(LOSS)FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		**3,960**	**8,411**	**12,371**	(1,156)	(4,043)	(5,199)
Earnings per share							
– basic	15	**6.31p**	**12.05p**	**18.36p**	0.91p	(5.81)p	(4.90)p
– diluted		**5.83p**	**11.13p**	**16.96p**	0.85p	(5.81)p	(4.90)p

The notes on pages 34 to 82 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 March 2016

	Issued Share Capital £'000s	Share Premium Account £'000s	Share Option Reserve £'000s	Retained Earnings £'000s	Total £'000s
Balance as at 31 March 2014	1,389	71,244	504	13,877	87,014
Total comprehensive income for the year					
Loss 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 Group					
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**
Total comprehensive income for the year					
Profit for the year	—	—	—	12,820	12,820
Other comprehensive income for the year	—	—	—	(449)	(449)
Total comprehensive income for the year	—	—	—	12,371	12,371
Transactions with owners of the Group, recognised directly in equity					
Contributions by and distribution to owners of the Group					
Shares issued in the year	10	103	—	—	113
Share based payment expense	—	—	15	—	15
Deferred tax on share options	—	—	—	—	—
Total contributions by and distributions to owners of the Group	10	103	15	—	128
Balance as at 31 March 2016	**1,402**	**71,375**	**592**	**21,049**	**94,418**

Company Statement of Changes in Equity

Year ended 31 March 2016

	Issued Share Capital £'000s	Share Premium Account £'000s	Share Option Reserve £'000s	Retained Earnings £'000s	Total £'000s
Balance at 31 March 2014	1,389	71,244	504	(13,689)	59,448
Total comprehensive income for the year					
Loss for the year (as restated)	—	—	—	(1,974)	(1,974)
Other comprehensive income for the year	—	—	—	—	—
Total comprehensive income for the year	—	—	—	(1,974)	(1,974)
Transactions with owners of the Company, recognised directly in equity					
Contributions by and distributions to owners of the Group					
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 2015 (as restated)	**1,392**	**71,272**	**577**	**15,663**	**57,578**
Balance at 31 March 2015 (as previously stated)	1,392	71,272	577	(17,163)	56,078
Prior year adjustment (note 27)	—	—	—	1,500	1,500
Balance at 31 March 2015 (as restated)	1,392	71,272	577	(15,663)	57,578
Total comprehensive income for the year					
Profit for the year	—	—	—	6,004	6,004
Other comprehensive income for the year	—	—	—	(449)	(449)
Total comprehensive income for the year	—	—	—	5,555	5,555
Transactions with owners of the Company, recognised directly in equity					
Contributions by and distributions to owners of the Group					
Shares issued in the year	10	103	—	—	113
Share based payment expenses	—	—	15	—	15
Deferred tax on share options	—	—	—	—	—
Total contributions by and distributions to owners of the Company	10	103	15	—	128
Balance at 31 March 2016	**1,402**	**71,375**	**592**	**(10,108)**	**63,261**

The notes on pages 34 to 82 form part of these financial statements.

Consolidated Statement of Financial Position

Year ended 31 March 2016

	Notes	31 March 2016 £'000s	31 March 2015 £'000s
NON-CURRENT ASSETS			
Goodwill	16	**71,005**	70,019
Other intangible assets	17	**834**	841
Property, plant and equipment	18	**18,066**	13,599
Deferred tax asset	20	**1,556**	1,866
		91,461	86,325
CURRENT ASSETS			
Inventories	21	**12,360**	10,328
Trade and other receivables	22	**17,039**	15,229
Assets relating to discontinued business	32	**—**	41,406
Current tax assets		**—**	—
Cash and cash equivalents		**2,946**	6,687
		32,345	73,650
TOTAL ASSETS		**123,806**	159,975
CURRENT LIABILITIES			
Bank overdrafts		**949**	51
Trade and other payables	24	**13,243**	18,000
Borrowings	23	**7,008**	17,190
Liabilities relating to discontinued business	32	**—**	27,300
Current tax liabilities		**127**	613
		21,327	63,154
NON-CURRENT LIABILITIES			
Borrowings	23	**55**	6,677
Deferred tax liabilities	20	**1,925**	2,537
Retirement benefit obligation	31	**6,081**	5,688
		8,061	14,902
TOTAL LIABILITIES		**29,388**	78,056
NET ASSETS		**94,418**	81,919
EQUITY			
Share capital	26	**1,402**	1,392
Share premium account	27	**71,375**	71,272
Share option reserve	27	**592**	577
Retained earnings	27	**21,049**	8,678
TOTAL EQUITY		**94,418**	81,919

These financial statements were approved by the Board of Directors and authorised for issue on 31 July 2016.
They were signed on its behalf by:

P W Totté
Executive Chairman

D P Newman
Director

The notes on pages 34 to 82 form part of these financial statements.

Company Statement of Financial Position

Year ended 31 March 2016

	Notes	31 March 2016 £'000s	31 March 2015 £'000s restated
NON-CURRENT ASSETS			
Investments	19	**65,499**	57,892
Property, plant and equipment	18	**3,204**	77
Deferred tax asset	20	**1,478**	327
Trade and other receivables	22	**—**	44,776
		70,181	103,072
CURRENT ASSETS			
Trade and other receivables	22	**55,798**	2,100
Current tax asset		**705**	
Cash and cash equivalents		**—**	3,167
		56,503	5,267
TOTAL ASSETS		**126,684**	108,339
CURRENT LIABILITIES			
Bank overdraft		**949**	—
Trade and other payables	24	**56,377**	675
Borrowings	23	**—**	1,541
		57,326	2,216
NON-CURRENT LIABILITIES			
Trade and other payables	24	**—**	44,866
Retirement benefit obligation		**6,081**	—
Deferred tax liability	20	**16**	—
Borrowings	23	**—**	3,679
		6,097	48,545
TOTAL LIABILITIES		**63,423**	50,761
NET ASSETS		**63,261**	57,578
EQUITY			
Share capital	26	**1,402**	1,392
Share premium account	27	**71,375**	71,272
Share option reserve	27	**592**	577
Retained earnings	27	**(10,108)**	(15,663)
TOTAL EQUITY		**63,261**	57,578

These financial statements were approved by the Board of Directors and authorised for issue on 31 July 2016.

They were signed on its behalf by:

P W Totté
Chairman

D P Newman
Director

The notes on pages 34 to 82 form part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 March 2016

	12 months ended 31 March 2016 £'000s	12 months ended 31 March 2015 £'000s
CASH FLOW FROM OPERATING ACTIVITIES		
Adjusted for:		
Profit/(loss) before taxation	**12,890**	(3,537)
Finance and other finance costs	**1,575**	1,946
Share based payment expense	**15**	47
Depreciation of property, plant and equipment	**1,917**	2,341
Profit on disposal of Napier Brown	**(9,061)**	—
Fair value gain on contingent consideration	**(3,267)**	—
Profit on disposal of property, plant and equipment	**—**	(11)
Amortisation of intangibles	**113**	360
Operating Cash Flow	**4,182**	1,146
(Increase)/decrease in inventories	**(1,900)**	3,393
(Increase)/decrease in receivables	**(2,034)**	4,678
Pension contributions	**(282)**	(457)
(Decrease) in payables	**(1,866)**	(3,955)
Cash generated from operations	**(1,900)**	4,805
Income taxes received/(paid)	**(614)**	576
Interest paid	**(1,661)**	(1,711)
Net cash from operating activities	**(4,175)**	3,670
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	**160**	11
Purchase of intangible assets	**—**	(99)
Purchase of property, plant and equipment	**(6,408)**	(1,428)
Disposal of Discontinued business	**37,201**	—
Acquisition of business, net of cash acquired	**(1,666)**	(1,243)
Net cash used in investing activities	**29,287**	(2,759)
CASH FLOW USED IN FINANCING ACTIVITIES		
Shares issued in year	**113**	32
Additional loans	**—**	4,000
Repayment of borrowings	**(33,447)**	—
Repayment of loans	**—**	(1,954)
Net movements on revolving credit facilities	**3,705**	(4,832)
Repayment of obligations under finance leases	**(122)**	(89)
Net cash used in financing activities	**(29,751)**	(2,843)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(4,639)**	(1,932)
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	**6,636**	8,568
Net movement in cash and cash equivalents	**(4,639)**	(1,932)
Cash and cash equivalents at end of period	**1,997**	6,636
Cash and cash equivalents comprise:		
Cash	**2,946**	6,687
Overdrafts	**(949)**	(51)
	1,997	6,636

The notes on pages 34 to 82 form part of these financial statements.

Company Cash Flow Statement

Year ended 31 March 2016

	12 months ended 31 March 2016 £'000s	12 months ended 31 March 2015 £'000s
CASH FLOW FROM OPERATING ACTIVITIES		
Adjusted for:		
Loss before taxation	**(3,726)**	(3,480)
Finance costs	**118**	235
Share based payment expense	**15**	47
Pension finance costs	**191**	
Depreciation of property, plant and equipment	**26**	49
Operating Cash Flow	**(3,376)**	(3,149)
(Increase)/decrease in receivables	**490**	694
Pension contributions	**(282)**	
Increase in payables	**7,430**	7,597
Cash generated from operations	**4,262**	5,142
Interest paid	**(118)**	(235)
Income taxes received/(paid)	**—**	—
Net Cash from operating activities	**4,144**	4,907
CASH FLOW FROM INVESTING ACTIVITIES		
Investment	**—**	—
Purchase of property, plant and equipment	**(3,153)**	(3)
Net cash used in investing activities	**(3,153)**	(3)
CASH FLOW USED IN FINANCING ACTIVITIES		
Shares issued in period	**113**	32
Additional borrowings	**—**	—
Repayment of borrowings	**(5,220)**	(1,954)
Net cash used in financing activities	**(5,107)**	(1,922)
Net increase in cash and cash equivalents	**(4,116)**	2,982
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	**3,167**	185
Net movement in cash and cash equivalents	**(4,116)**	2,982
Cash and cash equivalents at end of period	**(949)**	3,167
Cash and cash equivalents comprise:		
Cash	**—**	3,167
Overdrafts	**(949)**	—
	(949)	3,167

The notes on pages 34 to 82 form part of these financial statements.

Notes to the Financial Statements

Year ended 31 March 2016

1. Presentation of financial statements

General information

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.

New IFRS standards and interpretations adopted

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not yet been adopted by the EU.

The Directors are still assessing whether the application of IFRS 9, IFRS 15 and IFRS 16, once effective, will have a material impact on the results of the group. Application of these standards may result in 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 13. The financial position of the Group, its cash flows and liquidity position are described in the Finance Review on pages 17 to 19. 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 repaid its borrowings with PNC Business Credit facility in full from the proceeds arising from, the disposal of Napier Brown Sugar Limited. The Group has a long term banking arrangement with Lloyds Bank Plc 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.

2. Significant accounting policies (continued)

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

b) Basis of consolidation

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

Under Section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement. The profit for the financial period, of the holding company, as approved by the Board, was £6,004k (2015 – loss £1,974k).

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.

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 costs includes net interest costs on the net defined benefit pension scheme liabilities.

(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 tax is recognised on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts.

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.

Notes to the Financial Statements (continued)

Year ended 31 March 2016

2. Significant accounting policies (continued)

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 separately as significant it enhances the understanding of the true performance of the segment trading position. Summary details of significant items are shown in note 6 to these accounts.

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 business relationships which are considered to have an estimated useful economic life of two years and the assets are amortised on a straight-line basis over these periods. The average remaining life of intangible assets is three years (2015 – 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.

k) Investments

Investments in the company accounts relate to investments in subsidiaries and 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.

2. Significant accounting policies (continued)

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.

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.

Notes to the Financial Statements (continued)

Year ended 31 March 2016

2. Significant accounting policies (continued)

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.

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:

Cake Decoration	Manufactures, sells and supplies cake decorating products and ingredients for the baking sector.
Food Ingredients	Manufactures and supplies a range of food ingredients from bagged sugar and dairy powders to chocolate coatings and jams.
Premium Bakery	The manufacture and supply of high quality ambient cakes and desserts to the retail and foodservice sectors.

Notes to the Financial Statements (continued)

Year ended 31 March 2016

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. This structure has been changed in this financial year with Renshaw, Rainbow Dust and RGFE being combined into the Cake Decoration segment, R&W Scott and Garrett combined into Food Ingredients and Haydens and Chantilly forming the Premium Bakery. Comparative figures have been restated.

12 months ended 31 March 2016	Cake Decoration £'000s	Food Ingredients £'000s	Premium Bakery £'000s	Continuing Operations Total £'000s	Discontinued Operations Total £'000s	Total Group £'000s
Total Revenue	49,231	25,799	29,446	104,476	13,237	117,713
Revenue – Internal	(933)	(3,104)	—	(4,037)	—	(4,037)
External Revenue	**48,298**	**22,695**	**29,446**	**100,439**	**13,237**	**113,676**
Underlying adjusted EBITDA (see table below)	**7,350**	**(147)**	**758**	**7,961**	**(15)**	**7,946**
Operating Profit before Head Office	**6,579**	**(413)**	**(162)**	**6,005**	**(84)**	**5,921**
Head Office and consolidation adjustments				(2,923)	—	(2,923)
Significant items	(81)	(38)		(119)		(119)
Significant Items relating to Head Office				(826)	—	(826)
Operating Profit/(loss)	**6,498**	**(451)**	**(162)**	**2,137**	**(84)**	**2,053**
Fair value gain on contingent consideration	3,267	—	—	3,267	—	3,267
Net finance costs	(270)	—	(47)	(478)	(906)	(1,384)
Pension finance income				(191)	—	(191)
Profit on disposal of discontinued operation	—	—	—	—	9,145	9,145
Profit/(loss) before tax	**9,495**	**(451)**	**(209)**	**4,735**	**8,155**	**12,890**
Tax	(1,377)	49	101	(1,227)	256	(971)
Unallocated Tax	—	—	—	901	—	901
Profit/(loss) after tax as per comprehensive statement of income	**8,118**	**(402)**	**(108)**	**4,409**	**8,411**	**12,820**

Inter segment sales are charged at prevailing market rates.
Included in the Premium Bakery segment, one single customer accounts for 17.1% of the continuing Group's external sales for the year ended 31 March 2016.

Reconciliation of underlying EBITDA to Operating Profit	Cake Decoration £'000s	Food Ingredients £'000s	Premium Bakery £'000s	Head Office & Consol Total £'000s	Discontinued Operations Total £'000s	Total Group £'000s
Operating Profit/(loss)	**6,498**	**(451)**	**(162)**	**(3,748)**	**(84)**	**2,053**
Significant Items	81	38		826	—	945
Depreciation	771	255	818	4	69	1,917
Amortisation		11	102	—	—	113
Underlying adjusted EBITDA	**7,350**	**(147)**	**758**	**(2,918)**	**(15)**	**5,028**
Head Office				**2,918**		**2,918**
Underlying adjusted EBITDA as above	**7,350**	**(147)**	**758**	**—**	**(15)**	**7,946**

5. Segment reporting (continued)

31 March 2016	Cake Decoration £'000s	Food Ingredients £'000s	Premium Bakery £'000s	Discontinued £'000s	Unallocated £'000s	Total Group £'000s
Segment assets	**85,133**	**19,763**	**13,818**	—	—	**118,714**
Unallocated assets						
Property, plant and equipment						3,204
Deferred tax assets						1,479
Trade and other receivables						409
Current tax asset						—
Total assets	**85,133**	**19,763**	**13,813**	—	—	**123,806**
Segment liabilities	**7,601**	**3,905**	**5,990**	—	—	**17,496**
Unallocated liabilities						
Trade and other payables						765
Borrowings						4,146
Current tax liabilities						(913)
Deferred tax liabilities						1,813
Pension liability						6,081
Total liabilities	**7,601**	**3,905**	**5,990**	—	—	**29,388**
Net operating assets	**77,532**	**15,858**	**7,823**	**—**	**—**	**94,418**
Non-current asset additions	1,626	991	1,077	—	2,783	6,477
Depreciation	771	255	818	69	4	1917
Amortisation	—	11	102	—	—	113

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 11.3% of the total revenue of the Group, segmental reporting of a geographical nature is not considered relevant. The Cake Decoration segment accounts for the majority of this turnover

Notes to the Financial Statements (continued)

Year ended 31 March 2016

5. Segment reporting (continued)

12 months ended 31 March 2015	Cake Decoration £'000s	Food Ingredients £'000s	Premium Bakery £'000s	Continuing Operations Total £'000s	Discontinued Operations Total £'000s	Total Group £'000s
Total Revenue	50,705	30,104	28,367	109,176	137,456	246,632
Revenue – Internal	(1,492)	(3,104)	—	(4,596)	(9,168)	(13,764)
External Revenue	**49,213**	**27,000**	**28,367**	**104,580**	**128,288**	**232,868**
EBITDA	**6,523**	**516**	**1,252**	**8,291**	**(3,359)**	**4,932**
Operating Profit before Head Office	**5,519**	**260**	**444**	**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)	**5,519**	**260**	**444**	**2,680**	**(4,271)**	**(1,591)**
Net finance costs	(457)	(206)	(203)	(866)	(845)	(1,711)
Pension finance income	—	—	—	(235)	—	(235)
Profit/(loss) before tax	**5,062**	**54**	**241**	**1,579**	**(5,116)**	**(3,537)**
Tax	532	—	(48)	506	1,073	574
Unallocated Tax	—	—	—	(1,451)	—	(446)
Profit/(loss) after tax as per comprehensive statement of income	**5,594**	**54**	**193**	**634**	**(4,043)**	**(3,409)**

5. Segment reporting (continued)

Inter-segment sales are charged at prevailing market rates.

31 March 2015	Cake Decoration £'000s	Food Ingredients £'000s	Premium Bakery £'000s	Discontinued £'000s	Unallocated £'000s	Total Group £'000s
Segment assets	**89,199**	**15,521**	**11,333**	**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	**89,199**	**15,521**	**11,333**	**41,406**	—	**159,975**
Segment liabilities	**22,053**	**5,020**	**6,936**	**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	**22,053**	**5,020**	**6,936**	**27,005**	—	**78,056**
Net operating assets	**67,146**	**10,501**	**4,397**	**14,401**	**—**	**81,919**
Non-current asset additions	641	218	643	1,750	3	3,255
Depreciation	661	239	808	584	49	2,341
Amortisation	343	17	—	—	—	360

Notes to the Financial Statements (continued)

Year ended 31 March 2016

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 11.1% of the total revenue of the Group, segmental reporting of a geographical nature is not considered relevant. The Cake Decoration segment accounts for the majority of this turnover.

6. Significant items

	2016 £'000s	2015 £'000s
Continuing operations		
Head office relocation following Napier Disposal	**(446)**	—
Management restructuring	**(119)**	(568)
Acquisition costs	**(380)**	(282)
Sub total	**(945)**	(850)
Taxation on significant items	**113**	178
Total significant items	**(832)**	(672)

During the year the Group incurred a number of significant items as detailed above. Following the disposal of the Sugar business it was decided to relocate the head office function to the London office. The profit on disposal of the sugar business was the result of the sale to Tereos in May 2015. The reversal of contingent consideration relates to a liability created on the acquisition of Rainbow Dust Colours Limited. The current year acquisition costs relates to the purchase of Chantilly Patisserie £306k, plus additional costs for the acquisition of Rainbow Dust Colours Limited of £74k.

7. Auditor's remuneration

	12 months ended 31 March 2016 £'000s	12 months ended 31 March 2015 £'000s
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**36**	30
Fees payable to the Company's auditor for other services — continuing operations		
The audit of the Company's subsidiaries pursuant to legislation	**180**	143
Tax compliance services	**28**	31
Tax advisory services	**28**	35
Other assurance services	**56**	24
Total fees paid to Auditor	**292**	233
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 2016

8. Operating profit

	Notes	31 March 2016 £'000s	31 March 2015 £'000s
External sales		**113,676**	232,868
Staff costs	13	**28,457**	32,787
Inventories:			
— cost of inventories as an expense (included in cost of sales)		**62,805**	166,035
Depreciation of property, plant and equipment	18	**1,917**	2,341
Amortisation of intangible assets	17	**113**	360
Significant items	6	**945**	850
Operating lease payment:			
— land and buildings	29	**560**	559
— other assets	29	**795**	621
Research and development expenditure*		**1,220**	750
Impairment of trade receivables	22	**165**	81
Foreign exchange (gains)/losses		**(385)**	(450)
Other net operating expenses		**15,031**	30,525
Total		**111,623**	234,459
Operating profit		**2,053**	(1,591)

* 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 (2015 – £nil).

10. Finance costs

	12 months ended 31 March 2016 £'000s	12 months ended 31 March 2015 £'000s
Interest on bank loans and overdrafts	**467**	1,700
Loan note redemption fee	**906**	—
Interest on obligations under finance leases	**11**	11
	1,384	1,711
Continuing business	**478**	866
Discontinued business	**906**	845

11. Other finance costs

	31 March 2016 £'000s	31 March 2015 £'000s
Interest on pension scheme liabilities	**738**	857
Interest on pension scheme assets	**(547)**	(695)
Past service cost	**—**	73
	191	235

12. Directors' remuneration

	31 March 2016 £'000s	31 March 2015 £'000s
Fees	**131**	106
Executive salaries and benefits	**757**	472
Share based payments	**—**	16
	888	594

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 2016 £'000s	31 March 2015 £'000s
M J McDonough (to Sept 15)**	392	—	40	**432**	257
P W Totté	223	—	—	**223**	231
D P Newman (from Sept 15)	92	—	10	**102**	—
P G Ridgwell	30	—	—	**30**	30
P C Salter	36	—	—	**36**	36
J M d'Unienville	25	—	—	**25**	—
C O Thomas	40	—	—	**40**	40
	838	—	50	**888**	594

* 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.

** Totals for M J McDonough include compensation for loss of office amounting to £326k.

Key management personnel are considered to be the Company Directors.

Notes to the Financial Statements (continued)

Year ended 31 March 2016

12. Directors' remuneration (continued)

Directors' interests in share options:

	Option Type	Date of Grant	**Number of options at 31 March 2016**	Number of options at 31 March 2015	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
D P Newman	Approved options 2009	June 2009	**333,333**	333,333	5.25p	July 2012	July 2019
(appointed Sept 15)	Approved options 2010	May 2010	**20,408**	20,408	24.50p	May 2013	May 2020
	Approved options 2015	May 2015	**16,666**	—	45.00p	May 2018	July 2019

16,666 new options were granted to Directors during the year (2015 – 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 2016 was 45.25p and the range during the year was 32.0p to 59.0p.

No Director exercised share options during the year.

During the period retirement benefits were accruing to two (2015 – 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 2016	31 March 2015
Continuing operations		
Production	**743**	673
Selling and distribution	**159**	110
Directors and administrative	**156**	81
	1,058	864

The aggregate payroll costs were as follows:

	31 March 2016 £'000s	31 March 2015 £'000s
Continuing operations		
Wages, salaries and fees	**24,640**	21,813
Social Security Costs	**2,503**	2,179
Other pension costs	**1,299**	1,558
Share based payment expense	**15**	30
	28,457	25,580

Notes to the Financial Statements (continued)

Year ended 31 March 2016

14. Taxation

	31 March 2016 £'000s	31 March 2015 £'000s
Current tax		
UK Current tax on profit of the period	**247**	201
UK Current tax on significant items	**(113)**	(178)
Adjustments in respect of prior years	**(7)**	85
Total current tax	**127**	108
Deferred tax relating to sale of Napier	**(256)**	—
Deferred tax charge re pension scheme	**17**	44
Origination and reversal of timing differences	**198**	(260)
Adjustments in respect of prior years	**73**	(20)
Adjustment in respect of change in deferred tax rate	**(89)**	—
Total deferred tax	**(57)**	(236)
Tax – continuing operations	**326**	945
Tax – discontinued operations	**(256)**	(1,073)
Total tax	**70**	(128)
Tax on profit	**70**	(128)

14. Taxation (continued)

Factors affecting tax charge for the period:
The tax assessed for the period is lower (2015 – higher) than the standard rate of corporation tax in the UK 20% (2015 – 21%).

The differences are explained below:

	12 months ended 31 March 2016 £'000s	12 months ended 31 March 2015 £'000s
Tax reconciliation		
(Loss)/profit per accounts before taxation	**12,890**	(3,521)
Tax on (loss)/profit on ordinary activities at standard CT rate of 20% (2015 – 21%)	**2,598**	(732)
Expenses not deductible for tax purposes	**207**	77
Additional deduction for R&D expenditure	**—**	(47)
Share option relief	**(26)**	(3)
Current year losses not recognised – deferred tax	**77**	502
Income not taxable	**(2,482)**	—
Adjustment in respect of change in deferred tax rate	**(94)**	11
Adjustments to tax in respect of prior years	**66**	64
Deferred tax relating to sale of Napier Brown	**(256)**	—
Total tax	**70**	(128)
Tax on continuing operations	**326**	945
Tax on discontinued operations	**(256)**	(1,073)
Tax charge for the period	**70**	(128)

Notes to the Financial Statements (continued)

Year ended 31 March 2016

15. Earnings per share

Basic earnings per share

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

	12 months ended 31 March 2016 £'000s Continuing operations	12 months ended 31 March 2015 £'000s Continuing operations
Earnings after tax attributable to ordinary shareholders (£'000s)	**12,820**	(3,409)
– Continuing operations	**4,409**	634
– Discontinued operations	**8,411**	(4,043)
Weighted average number of shares in issue ('000s)	**69,818**	69,568
– Continuing operations	**6.31p**	0.91p
– Discontinued operations	**12.05p**	(5.81)p
Basic earnings per share	**18.36p**	(4.90)p

Diluted earnings per share

The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of all the outstanding the share options. The difference represents the dilutive potential ordinary shares.

15. Earnings per share (continued)

The weighted average number of shares in issue for the year was 69,818k, the number of options outstanding was 9,969. If these were all exercised the cash raised would be equivalent to that which would be raised by issuing 5,746 shares at the average share price during the year. The difference between these figures is the dilutive potential ordinary shares of 75,564.

	31 March 2016 £'000s	31 March 2015 £'000s
Earnings after tax attributable to ordinary shareholders (£'000s)	**12,820**	(3,409)
– Continuing operations	**4,409**	634
– Discontinued operations	**8,411**	(4,043)
Weighted average number of shares in issue ('000s)	**75,564**	74,203
– Continuing operations	**5.83p**	0.85p
– Discontinued operations	**11.13p**	(5.8)p
Diluted earnings per share	**16.96p**	(4.9)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 2016 £'000s	31 March 2015 £'000s
Earnings after tax attributable to ordinary shareholders (£'000s)	**12,820**	(3,409)
– Continuing operations	**4,409**	634
– Discontinued operations	**8,411**	(4,043)
Add back significant items (note 6)	**945**	850
Add Back Fair value gain	**(3,267)**	—
Add Back Profit on Napier disposal	**(9,145)**	—
Add back tax on significant items	**(113)**	(178)
Adjusted earnings after tax attributable to ordinary shareholders (£'000s)	**1,240**	(2,737)
Weighted average number of shares in issue ('000s)	**69,818**	69,568
Basic earnings per share	**1.78p**	(3.93)p
Total potential weighted average number of shares in issue ('000s)	**75,564**	74,203
Basic diluted earnings per share	**1.64p**	(3.93)p

Notes to the Financial Statements (continued)

Year ended 31 March 2016

16. Goodwill

	Group £'000s
Cost	
Carried forward 31 March 2015	**82,019**
Disposal during year	**(12,000)**
Addition in year (note 33)	**986**
Carried forward 31 March 2016	**71,005**

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 2016 £'000s	31 March 2015 £'000s
Napier Brown (disposed in May 2015)	**—**	12,000
Garrett Ingredients	**5,000**	5,000
Renshaw	**57,796**	57,796
R&W Scott	**1,000**	1,000
Rainbow Dust Colours	**6,223**	6,223
Haydens Bakery – Chantilly Patisserie	**986**	—
Carried forward 31 March 2016	**71,005**	82,019
Continuing business	**71,005**	70,019
Discontinued business	**—**	12,000

The Goodwill on Renshaw; R&W Scott and Garrett Ingredients originally arose on the acquisition of Napier Brown Foods Limited. 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. This process was fully completed in October 2015.

The goodwill on Rainbow Dust Colours Limited arises out of the acquisition in January 2015. The goodwill on Hayden Bakery Limited arises out of the acquisition of the Chantilly Patisserie business in February 2016.

16. Goodwill (continued)

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.

The rate used to discount the forecast cash flows is the Group's pre-tax weighted average cost of capital of 3.0% (2015 – 7.07%). 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 £97.3 million for continuing operations. This is based on our base expectations for the trading period to 31 March 2017.

An increase in the Group's weighted average cost of capital to above 12% (2015 – 10.5%) would cause the Board to impair the carrying value of goodwill across all continuing divisions.

Notes to the Financial Statements (continued)

Year ended 31 March 2016

17. Other intangible assets

	Customer Relationship £'000s	Computer Software £'000s	Group £'000s	Company £'000s
Cost				
At 1 April 2015	—	2,964	2,964	4
Acquired on acquisition of Chantilly Patisserie	405	—	405	—
Acquired on acquisition of ISO2 Nutrition	68	—	68	—
Disposals	—	(2,178)	(2,178)	(4)
At 31 March 2016	473	786	1,259	—
Amortisation				
At 1 April 2015	—	2,123	2,123	4
Charge	55	58	113	—
Disposals	—	(1,811)	(1,811)	(4)
At 31 March 2016	55	370	425	—
Net book value at 31 March 2016	**418**	**416**	**834**	**—**
Cost				
At 1 April 2014	—	2,925	2,925	4
Additions	—	99	99	—
Disposals	—	(60)	(60)	—
At 31 March 2015	—	2,964	2,964	4
Amortisation				
At 1 April 2014	—	1,823	1,823	4
Charge	—	360	360	—
Disposals	—	(60)	(60)	—
At 31 March 2015	—	2,123	2,123	4
Net book value at 31 March 2015	**—**	**841**	**841**	**—**

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

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

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 2015	13,539	32,615	537	46,691
Acquired on acquisition of business (note 33)	—	108	—	108
Additions	542	5,122	636	6,300
Disposals	(4,604)	(11,588)	—	(16,192)
Reclassifications	—	831	(831)	—
At 31 March 2016	9,477	27,088	342	36,907
Depreciation				
At 1 April 2015	3,891	21,221	—	25,112
Disposals	(1,242)	(6,946)	—	(8,188)
Charge	286	1,631	—	1,917
At 31 March 2016	2,935	15,906	—	18,841
Net book value at 31 March 2016	**6,542**	**11,182**	**342**	**18,066**
Cost				
At 1 April 2014	13,094	31,599	911	45,604
Acquired on acquisition of subsidiary	—	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

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

	31 March 2016 £'000s	31 March 2015 £'000s
Plant and equipment	**353**	586

£ NIL (2015 – £21.0 million) of property, plant and equipment have been pledged as security for borrowings; see note 23.

Notes to the Financial Statements (continued)

Year ended 31 March 2016

18. Property, Plant and Equipment (continued)

Company

	Land and Buildings £'000s	Plant and Equipment £'000s	Total £'000s
Cost			
At 1 April 2015	—	162	162
Additions	498	2,285	2,783
Group Transfers	—	1,664	1,664
Disposals	—	(660)	(660)
At 31 March 2016	498	3,451	3,949
Depreciation			
At 1 April 2015	—	85	85
Disposals	—	(660)	(660)
Group Transfers	—	1,294	1,294
Charge	—	26	26
At 31 March 2016	—	745	745
Net book value at 31 March 2016	**498**	**2,706**	**3,204**
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**

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

	31 March 2016 £'000s	31 March 2015 £'000s
Plant and equipment	**—**	—

19. Investments

Company

Investments in shares of subsidiary undertakings:

	Napier Brown Foods Limited £'000s	FSF Dormant Limited/ TD Dormant Limited £'000s	R&W Scott Limited Garrett Ingredients Limited	Haydens Bakery Limited £'000s	Eurofoods plc/ Coolfresh Limited £'000s	Real Good Food Europe SA £'000s	Total
At 31 March 2015	53,900	610	—	3,248	79	55	57,892
Impairment		(610)					(610)
Capitalisation of intercompany loans	—	—	7,500	—	—	717	8,217
At 31 March 2016	**53,900**	—	**7,500**	**3,248**	**79**	**772**	**65,499**

The additions in the year relate to the creation of trading limited companies and the increase in share capital as a result of the capitalisation of a Group loan balance.

The aggregate of the share capital and reserves at 31 March 2016 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
N Brown Foods Limited	37,277	(759)
JF Renshaw Limited	59,569	3,555
Haydens Bakery Limited	1,160	(108)
Rainbow Dust Colours Limited	6,240	1,085
RGFC Dust Limited	(101)	(68)
Garrett Ingredients Limited	2,640	140
R&W Scott Limited	4,593	(407)
Real Good Food Europe SA	(3)	(320)

Notes to the Financial Statements (continued)

Year ended 31 March 2016

19. Investments (continued)

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%
JF Renshaw Limited	Sugar Paste and Marzipan Supplier	15,685,000 Ordinary £1	100%
RGFC Dust Limited*	Holding Company	1 Ordinary £1	100%
Rainbow Dust Colours Limited	Cake Decoration Supplier	500 Ordinary £1	100%
R & W Scott Limited	Chocolate compound and Jam Supplier	1 Ordinary £1	100%
Garrett Ingredients Limited	Food Ingredients Supplier	1 Ordinary £1	100%
Whitworths Sugars Limited	Dormant	2,000,000 Ordinary £1	100%
Haydens Bakery Limited*	Cake and Dessert Supplier	1 Ordinary £1	100%
Real Good Food Europe SA	Sugar & Ingredient Supplier	61,500 Ordinary €1	100%

* Held directly by Real Good Food plc.

20. Deferred taxation liability/(asset)

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

	2016 Group £'000s	**2016 Company £'000s**	2015 Group £'000s	2015 Company £'000s
Opening position	**671**	**(327)**	1,367	(294)
Acquired on the acquisition	**74**	**—**	13	—
Income statement charge	**(58)**	**38**	(236)	(7)
Transfer on sale	**(283)**	**—**	—	—
Transfer on pension	**—**	**(1,138)**	—	—
Charge to equity/(credit)	**(35)**	**(35)**	(473)	(26)
Closing position	**369**	**(1,462)**	671	(327)
Shown as follows				
Liabilities	**1,925**	**16**	2,537	—
Assets	**(1,556)**	**(1,478)**	(1,866)	(327)
	369	**(1,462)**	671	(327)

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

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 2015	(359)	(324)	(45)	(1,138)	(1,866)
Charge/(credit) to income:					
— current period	—	—	(36)	17	(19)
— prior years	359	—	5	—	364
(Credit) to equity	—	—	—	(34)	(34)
At 31 March 2016	—	**(324)**	**(76)**	**(1,155)**	**(1,555)**
Within 12 months	**—**	**—**	**(76)**	**—**	**(76)**
Greater than 12 months	**—**	**(324)**	**—**	**(1,155)**	**(1,479)**

Deferred tax provisions

	Intangible Assets £'000s	Tangible Assets £'000s	Total £'000s
At 31 March 2015	1,022	1,515	2,537
Acquired on acquisition	74	—	74
Charged to income:			
— current period	40	(153)	(113)
— prior period	—	(290)	(290)
Transfer on sale of Napier	—	(283)	(283)
At 31 March 2016	**1,136**	**789**	**1925**

There were £2.52 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 2016

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

Company

Deferred tax assets

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

	Pension Scheme	Tangible Assets £'000s	Share Options £'000s	Total £'000s
At 31 March 2015		(4)	(323)	(327)
Charge/(credit) to income:				
— current period	17	20	—	37
— transfers from Group companies	(1,138)	—	—	(1,138)
Charge/(credit) to equity	(34)	—	—	(34)
At 31 March 2016	**(1,155)**	**16**	**(323)**	**(1,462)**
Within 12 months	**—**	**—**	**—**	**—**
Greater than 12 months	**(1,155)**	**16**	**(323)**	**(1,462)**

21. Inventories

	31 March 2016 Group £'000s	**31 March 2016 Company £'000s**	31 March 2015 Group £'000s	31 March 2015 Company £'000s
Materials	**5,495**	**—**	5,491	—
Work in progress	**641**	**—**	743	—
Finished goods	**6,224**	**—**	10,293	—
	12,360	**—**	16,527	—
Continuing business	**12,360**	**—**	10,328	—
Discontinued business	**—**	**—**	6,199	—

Inventories totalling £12,360k (2015 – £16,527k) 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. The write-off of inventories during the period is not material.

22. Trade and other receivables

	31 March 2016 Group £'000s	31 March 2016 Company £'000s	31 March 2015 Group £'000s	31 March 2015 Company £'000s
Non-current trade and other receivables				
Amounts owed by Group undertakings	—	—	—	43,626
Current trade and other receivables				
Trade receivables	15,006	—	26,012	—
Less: provision for impairment of receivables	(204)	—	(111)	—
Net trade receivables	14,802	—	25,901	—
Other receivables	1,068	12	1,566	—
Amounts owed by Group undertakings	—	55,390	—	1,527
Prepayments	1,169	396	2,591	573
Total	17,039	55,798	30,058	2,100
Continuing business	17,039		15,229	
Discontinued business	—		14,829	

Notes to the Financial Statements (continued)

Year ended 31 March 2016

22. Trade and other receivables (continued)

Provision for impairment of receivables

	31 March 2016 Group £'000s	**31 March 2016 Company £'000s**	31 March 2015 Group £'000s	31 March 2015 Company £'000s
At 31 March 2015	**(111)**	**—**	(50)	—
Charge for period	**(165)**	**—**	(81)	—
Uncollectable amounts written off	**72**	**—**	20	—
At 31 March 2016	**(204)**	**—**	(111)	—

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 £10 million of the Group's trade receivables, the remaining amount of £5 million relates to sales from the Group's Premium 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 £165k (2015 – charge of £81k) 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 £2.1 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 2016 Group £'000s	31 March 2015 Group £'000s
Up to 30 days past due	**740**	3,069
1–3 months past due	**1,040**	498
Over 3 months past due	**378**	311
	2,158	3,878

23. Borrowings and capital management

	31 March 2016 Group £'000s	31 March 2016 Company £'000s	31 March 2015 Group £'000s	31 March 2015 Company £'000s
Unsecured borrowings at amortised cost				
Loan notes	—	—	2,774	—
Secured borrowings at amortised cost				
Bank term loans	**3,200**	—	9,170	5,220
Revolving credit facilities	**3,705**	—	24,430	—
Hire purchase	**158**	—	376	—
	7,063	—	36,750	5,220
Amounts due for settlement within 12 months	**7,008**	—	30,073	1,541
Amounts due for settlement after 12 months	**55**	—	6,677	3,679
	7,063	—	36,750	5,220
Continuing business	**7,063**		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. Following the sale of Napier Brown Sugar in May 2015 the facilities with PNC Business Credit have been fully repaid along with the loan note that was due to Napier Brown Ingredients Limited. During the year a new revolving credit invoice discount facility has been entered into with Lloyds Bank Plc.

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.

At the end of March 2016 the Group has one term loan and a revolving credit facility with Lloyds Bank Plc. The term loan was taken out in January 2015 to assist with the acquisition of Rainbow Dust Colours Limited, the original term was for 365 days and due for repayment in January 2016, this has been extended and is repayable in July 2016. The balance outstanding was £3.2 million (2015 £3.95 million).

During the year the Group negotiated a £10 million revolving credit facility comprising Sterling Euro and US Dollar invoice discounting facilities which bears interest at 1.5% above base rate and at the year-end £3.7 million was outstanding under this facility. This facility is secured primarily on the debtors of JF Renshaw Limited and Haydens Bakery Limited.

Notes to the Financial Statements (continued)

Year ended 31 March 2016

23. Borrowings and capital management (continued)

Since the year end the Group has successfully negotiated extended borrowing facilities with Lloyds Bank plc to enable it to continue its acquisition and investment strategy. The Group has entered into an invoice finance facility of £20 million on a revolving basis with a minimum term of 12 months and a 3 months' notice period. This facility is secured against the debtors across the whole of the Groups UK businesses, and comprise a Sterling, Euro and US Dollar facility with an interest rate of 1.5% above base rate.

In addition a new term loan of £3 million has been agreed with Lloyds Bank plc to replace the loan taken out to finance the acquisition of Rainbow Dust Colours Limited. The new loan has a term of 3 years expiring in July 2019 and is repayable in quarterly instalments of £250k. Interest on this loan is charged at 2.75% above base rate.

To aid the capital expenditure growth planned for the Group it has also entered into a £4 million facility secured against specific items of plant and machinery with Lloyds Bank plc. This loan is for a term of 5 years ending July 2021 and is repayable in monthly instalments of £73k plus VAT. Interest on this loan is charged at 3.5% above base rate.

The fixed interest rate liabilities relate to amounts payable on hire purchase agreements £0.2 million. The weighted average interest rate of these liabilities was 2% (2015 – 2%) and the weighted average period for which the interest rates are fixed was 28 months (2015 – 40 months).

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.

Lloyds Bank Plc has a debenture incorporating a 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 Bank plc contain certain cross guarantees.

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.

The sale of Napier Brown Sugar enabled the Group to repay all of its borrowings at the time, however there has been no change to the Group's approach to capital management, which is to fund its working capital requirements by trading generated cash flows supplemented by asset based lending, which is the most favourable source of finance available to the business at this time, to assist in 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:

2016	**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	**3,640**	**4,167**	**517**	**—**	**—**	**8,324**
Bank term loans	**—**	**—**	**3,200**	**—**	**—**	**3,200**
Revolving credit facilities	**—**	**3,705**	**—**	**—**	**—**	**3,705**
Finance leases	**10**	**20**	**73**	**55**	**—**	**158**
	3,650	**7,892**	**3,790**	**55**	**—**	**15,387**
Interest	**19**	**57**	**153**	**15**	**—**	**244**
Total	**3,669**	**7,949**	**3,943**	**70**	**—**	**15,631**

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

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

Notes to the Financial Statements (continued)

Year ended 31 March 2016

23. Borrowings and capital management (continued)

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 £41k.

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 Lloyds Bank Plc, 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 £22k.

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 £70k.

Obligation under finance leases

	31 March 2016 £'000s	31 March 2015 £'000s
Finance lease liabilities – minimum lease payments		
Due within one year	**103**	152
Due within one to five years	**55**	224
	158	376
Future finance charges on finance leases	**(11)**	(27)
Present value of finance lease liabilities	**147**	349
The present value of finance lease liabilities is as follows:		
Due within one year	**98**	143
Due within one to five years	**49**	206
	147	349

It is the Group's policy to lease certain property, plant and equipment under finance leases. For the period ended 31 March 2016 the average effective borrowing rate was 4.0% (2015 – 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 2016 Group £'000s	31 March 2016 Company £'000s	31 March 2015 Group £'000s	31 March 2015 Company £'000s
Amounts due in more than one year				
Amounts owed to Group undertakings	**—**	**—**	—	45,216
Accruals	**—**	**—**	295	—
	—	**—**	295	45,216
Amounts due within one year				
Trade payables	**8,324**	**236**	17,831	258
Social security	**654**	**89**	636	65
Amounts owed to Group undertakings	**—**	**55,593**	—	—
Accruals	**3,600**	**459**	6,877	352
Other payables	**665**	**—**	6,380	—
	13,243	**56,377**	31,724	675
Continuing business	**13,243**		18,000	
Discontinued business	**—**		14,019	

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 is £nil (2015 – £3.5 million) being the fair value of the contingent consideration in respect of a business combination that occurred during the year.

Notes to the Financial Statements (continued)

Year ended 31 March 2016

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	
	2016 £'000s	2015 £'000s	**2016 £'000s**	2015 £'000s
Loans and receivables at amortised cost				
Cash and cash equivalents	**2,946**	6,687	**—**	3,167
Loans and receivables	**14,802**	25,901	**—**	—
Financial liabilities at amortised cost				
Liabilities at amortised cost	**15,387**	54,607	**949**	5,504
	15,387	54,607	**949**	5,504
Amounts due for settlement				
Within twelve months	**15,332**	47,930	**949**	1,825
After twelve months	**55**	6,677	**—**	3,679
	15,387	54,607	**949**	5,504

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 2016 was £14.8 million (2015 – £25.9 million).

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.

Contingent consideration obligations

At 31 March 2016 a financial liability of £nil has been recognised in respect of the fair value of the contingent consideration due in respect of acquisitions (2015 – £3,500,000).

Financial assets/ financial liabilities	Fair value as at 31/3/2015	**31/3/2016**	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Contingent consideration in a business combination	£3,500,000	—	Level 3	The gross margin achieved within the acquired business was less than expected and as a result the contingent consideration payable was significantly less than previously estimated. The contingent consideration paid on 3 March 2016 was £233k, the difference between this amount and the liability recognised in the prior year represents a fair value gain on a financial instrument and has been credited to the income statement as finance income.	Gross margin based upon actual gross margins achieved.	The higher the gross margin, the higher the fair value.

Notes to the Financial Statements (continued)

Year ended 31 March 2016

26. Share capital

	Number of Shares 2016	Number of Shares 2015	31 March 2016 £'000s	31 March 2015 £'000s
Allotted, called up and fully paid equity share capital				
At 31 March 2015	**69,588,400**	69,465,952	**1,392**	1,389
Issued in the year	**478,503**	122,448	**10**	3
At 31 March 2016	**70,066,903**	69,588,400	**1,402**	1,392

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 9,969,454 shares reserved for issue under options, with expiry dates beyond 2016, outstanding at the end of the year.

27. Reserves

Share premium: The share premium reserve comprises the premium paid over the nominal value of shares for shares issued.

Share option reserve: The share option reserve represents the cumulative share option charge.

Retained earnings: The retained earnings reserve represents the cumulative surplus or deficit of the Group.

The Company retained earnings have been restated by £1,500k in respect of late management charge invoices raised to subsidiary companies, which were accrued in the subsidiaries accounts but not in the Company accounts.

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 2016 Number of share options	31 March 2016 Weighted Average Exercise Price (£)	31 March 2015 Number of share options	31 March 2015 Weighted Average Exercise Price (£)
Outstanding at the beginning of the period	**9,588,025**	**0.18**	9,610,473	0.18
Granted during the year	**1,164,932**	**0.43**	200,000	0.39
Exercised during the year	**(478,503)**	**(0.23)**	(122,448)	0.05
Forfeited during the year	**(305,000)**	**(0.46)**	(100,000)	0.43
Outstanding at the end of the period	**9,969,454**	**0.20**	9,588,025	0.18
Exercisable at the end of the period	**4,786,797**	**0.11**	5,370,300	0.12

28. Equity-settled share option scheme (continued)

A breakdown of the range of exercise prices for options outstanding as at 31 March 2016 is shown in the table below:

	2016			2015		
	Number outstanding at end of period	**Weighted average remaining contractual life (years)**	**Weighted average exercise price (pence)**	Number outstanding at end of period	Weighted average remaining contractual life (years)	Weighted average exercise price (pence)
£0.00 – £0.50	**9,969,454**	**1**	**19.84**	9,588,025	1	18.33

	2016 £'000s	2015 £'000s
IFRS 2 Fair value charge	**15**	46
Average share price	**43.4p**	33.9p

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 were 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.

Notes to the Financial Statements (continued)

Year ended 31 March 2016

29. Commitments

Operating lease arrangements

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 2016 £'000s	31 March 2015 £'000s
Due within one year	**1,264**	885
Due between one and five years	**374**	1,322
Due beyond five years	**—**	1,127

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.

Operating lease payments payable by the Company are considered immaterial for these accounts.

Capital commitments

	2016 £'000s	2015 £'000s
Commitments for the acquisition of property, plant and equipment	**930**	690

30. Related party transactions

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

Payee	Director	**31 March 2016 £'000s**	31 March 2015 £'000s
P G Ridgwell	P G Ridgwell	**55**	55
The Salter Consultancy LLP	P Salter	**109**	69
		164	124

During the year the Group repaid the loan notes of £2,774k to Napier Brown Ingredients Limited, a company in which P G Ridgwell, who is a director of Real Good Food Plc, has significant influence. Together with the principal amount of £2,774k the Group also repaid accrued interest of 10% for 2014/15 of £277k, interest for the period of £43k and a redemption premium fee of £906k.

30. Related party transactions (continued)

Transactions between the Company and its subsidiaries are as follows:

Provision of services to related parties

	31 March 2016 £'000s	31 March 2015 £'000s
JF Renshaw Limited	**555**	1,150
Haydens Bakery Limited	**350**	350
R&W Scott Limited	**120**	—
Garrett Ingredients Limited	**50**	—
	1,075	1,500

Amounts due to subsidiaries

	31 March 2016 £'000s	31 March 2015 £'000s restated
JF Renshaw Limited	**51,240**	40,858
Rainbow Dust Colours Limited	**4,576**	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 Real Good Food Plc.

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

Amounts due from subsidiaries

	31 March 2016 £'000s	31 March 2015 £'000s restated
Real Good Food Europe SA	**121**	838
Haydens Bakery Limited	**4489**	357
Napier Brown Sugar Limited	**—**	1,527
Napier Brown Foods Limited	**45,801**	41,800
RGFC Dust Limited	**5,055**	281
R&W Scott Limited	**1,503**	—
Garrett Ingredients Limited	**152**	—

Notes to the Financial Statements (continued)

Year ended 31 March 2016

31. Pensions arrangements

The Group operates one defined benefits scheme which was closed to new members in 2000. From 1 April 2016 the Group annual contributions were agreed at £320k for 4 years 7 months. The Group is confident this will continue to meet the trustees' needs and the pension regulator's guidance.

In preparation for the disposal of the sugar business it was decided to transfer the liability for this scheme out of JF Renshaw Limited into Real Good Food plc.

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 2016. This has resulted in a deficit in the scheme of £6,081,000.

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 2016 £'000s	31 March 2015 £'000s	31 March 2014 £'000s	31 March 2013 £'000s	31 December 2012 £'000s
Present value of defined benefit obligation	**21,094**	21,799	19,033	19,153	17,085
Fair value of plan assets	**(15,013)**	(16,111)	(15,360)	(15,613)	(16,005)
Deficit/(surplus) in plan	**6,081**	5,688	3,673	3,540	1,080
Amount not recognised in accordance with IAS 19	**—**	—	—	—	—
Gross amount recognised	**6,081**	5,688	3,673	3,540	1,080
Deferred tax at 19% (2014 – 20%)	**(1,155)**	(1,138)	(735)	(814)	(259)
Net liability	**4,926**	4,550	2,938	2,726	821

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

	31 March 2016 £'000s	31 March 2015 £'000s
Defined benefit obligation at start of period	**21,799**	19,033
Interest cost	**738**	857
Actuarial losses	**(638)**	3,122
Benefits paid, death in service insurance premiums, expenses and past service costs	**(805)**	(1,213)
Defined benefit obligation at end of period	**21,094**	21,799

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

	12 months ended 31 March 2016 £'000s	12 months ended 31 March 2015 £'000s
Fair value of scheme assets at start of the period	**16,111**	15,360
Interest income on scheme assets	**547**	695
Actuarial (losses)/gains	**(1,122)**	885
Contributions paid by the Group	**282**	457
Benefits paid, death in service insurance premiums and expenses	**(805)**	(1,286)
Fair value of scheme assets at end of the period	**15,013**	16,111

The actual return on the scheme assets over the period ended 31 March 2016 was £(575)k (2015 – £1,580k).

Notes to the Financial Statements (continued)

Year ended 31 March 2016

31. Pensions arrangements (continued)

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

	31 March 2016 £'000s	31 March 2015 £'000s
Interest on liabilities	**738**	857
Interest on assets	**(547)**	(695)
Net Interest	**191**	162
Past service cost	**—**	73
Total income	**191**	235

Statement of recognised income and expenses

	31 March 2016 £'000s	31 March 2015 £'000s
Actuarial (losses)/gain	**(1,122)**	885
Experience gains and losses arising on the scheme liabilities: loss	**—**	—
Actuarial gains/(losses) arising from changes in demographic assumptions	**(42)**	(11)
Actuarial gains/(losses) arising from changes in financial assumptions	**680**	(3,111)
Total amount recognised in Statement of Other Comprehensive Income	**(484)**	(2,237)

Assets

	31 March 2016 £'000s	31 March 2015 £'000s	31 March 2014 £'000s
UK equity	**1,608**	1,759	1,977
Overseas equity	**4,462**	4,634	5,141
Absolute return fund	**3,826**	4,126	3,929
Bonds	**1,020**	933	1,798
Gilts	**2,104**	1,382	645
Property	**72**	354	301
Cash	**473**	1,444	748
Alternative assets	**1,448**	1,479	821
Total assets	**15,013**	16,111	15,360

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. All assets stated above have a quoted market price in an active market.

31. Pensions arrangements (continued)

Assumptions

	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum	31 March 2013 % per annum
Inflation	**2.80**	2.90	3.30	3.20
Salary increases	**—**	—	—	—
Rate of discount	**3.65**	3.45	4.65	4.70
Allowance for pension in payment increases	**2.70**	2.80	3.20	3.10
Allowance for revaluation of deferred pensions	**1.80**	1.90	2.20	1.90
Allowance for commutation of pension for cash at retirement	**90% of max allowance**	90% 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 2016 imply the following life expectancies:

Male retiring at age 65 in 2016	21.9 years
Female retiring at age 65 in 2016	23.9 years
Male retiring at age 65 in 2036	23.2 years
Female retiring at age 65 in 2036	25.4 years

Notes to the Financial Statements (continued)

Year ended 31 March 2016

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 2016 £'000s	31 March 2015 £'000s	31 March 2014 £'000s	31 March 2013 £'000s	31 March 2012 £'000s
Fair value of assets	**15,013**	16,111	15,360	15,613	16,005
Defined benefit obligation	**(21,094)**	(21,799)	(19,033)	(19,153)	(17,085)
Surplus/(deficit) in scheme	**(6,081)**	(5,688)	(3,673)	(3,540)	(1,080)
Experience adjustment on scheme assets	**(1,122)**	885	(382)	208	(984)
Experience adjustment on scheme liabilities	**—**	—	—	(1,923)	(46)

32. Discontinued Business

As disclosed in the year end March 2015 accounts the Group disposed of its Napier Brown Sugar business on 19 May 2015. This disposal was consistent with the Group's strategy for the sugar business and allows it to focus on its remaining businesses. The result of the disposed business is shown below.

	Year end 31 March 2016 £'000s	Year end 31 March 2015 £'000s
Revenue	**13,237**	128,288
Cost of Sales	**(11,884)**	(117,924)
Gross Margin	**1,353**	10,364
Distribution	**(1,149)**	(9,938)
Administration	**(288)**	(4,697)
Operating Loss	**(84)**	(4,271)

32. Discontinued Operations (continued)

Calculation of profit on disposal		Total £'000s
Disposal proceeds		44,408
Assets disposed of		
Goodwill	(12,000)	
Property plant and equipment	(8,211)	
Net Working Capital	(10,706)	(30,917)
Disposal Costs		
Legal and consultancy fees	(2,024)	
Other costs arising directly from the sale of the business	(2,322)	(4,346)
Profit on disposal		9,145

Assets held for sale	March 2016 £000's	March 2015 £ 000's
Goodwill	—	12,000
Property, plant and equipment	—	7,980
Inventories	—	6,199
Trade and other receivables	—	14,829
Other financial assets	—	398
Assets of Napier Brown business classified as held for sale	—	41,406
Trade and other payables	—	13,724
Borrowings	—	12,883
Other financial liabilities	—	398
Liabilities of Napier Brown business classified as held for sale	—	27,005
Net assets of Napier Brown business held for sale	—	14,401

33. Acquisitions

The Group acquired the trading and assets of a business called Chantilly Patisserie on 2 February 2016. This acquisition was transacted through Haydens Bakery Limited.

Chantilly Patisserie employs around 40 employees and produces high quality, hand made frozen desserts, supplying the food sector market.

The Real Good Food management believes that there are considerable synergies between Chantilly Patisserie and Haydens Bakery Limited and the acquisition is expected to bring mutual benefits to the two businesses, particularly in developing new products, producing production efficiencies and opening up new sales channels.

Notes to the Financial Statements (continued)

Year ended 31 March 2016

33. Acquisitions (continued)

Table of the assets and liabilities acquired and the purchase consideration

	Book Value £'000	Fair Value Adjustment £'000	Total £'000
Non-current assets			
Property, plant and equipment	108	—	108
Business relationships	—	405	405
Current assets			
Inventories	132	—	132
Trade and other receivables	411	—	411
Cash and cash equivalents	2	—	2
Total assets	**653**	**405**	**1,058**
Current liabilities			
Trade and other payables	217	—	217
Non current liabilities			
Deferred tax	—	77	77
Total liabilities	**217**	**77**	**294**
Fair value net assets of businesses acquired	**436**	**328**	**764**
Initial cash consideration paid			1,650
Deferred consideration due			100
Total consideration			**1,750**
Goodwill arising on current year acquisition			**986**

Effect on 2016 Results

The business of Chantilly Patisserie generated revenue of £408k and a profit of £60k for the 2 months to 31 March 2016 which has been included in the consolidated figures within the Premium Bakery sector, see note 5 Segment analysis for further information.

Acquisition costs amounting to £306k have been shown as significant costs in the consolidated accounts of Real Good Food plc as disclosed in note 6 of the accounts.

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

It was determined that a value could be placed on intangible assets acquired as a result of the transaction, relating to business relationships that were in place. A value of £405k has been placed on these intangibles which are estimated to have a useful life of 2 years. Deferred tax of £77k has been recognised to impact on these accounts. Goodwill includes non identified, buyer specific synergies, know-how and workforce related industry specific knowledge. Increase in Group revenue of £2.5 million and additional profit of £0.5 million would have been reflected in these accounts if the acquisition had occurred at the start of this financial year.

34. Subsequent Events

After the balance sheet date the courts approved the Capital restructuring proposal which will have the effect of cancelling the share premium account and releasing the total value into distributable reserves. The effect of the capital restructuring will be reflected in the financial statements for the year ended 31 March 2017. The Board intend to review and implement a Group dividend policy as a result of this decision.

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