

Real Good Food plc

Cake Decoration • Food Ingredients • Premium Bakery



Annual Report and Accounts
For the year ended 31 March 2017

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

Renshaw,
Renshaw Europe,
Renshaw Americas,
Rainbow Dust Colours



R&W Scott,
Garrett Ingredients,
Brighter Foods



Haydens,
Chantilly Patisserie

Investor Proposition

- ★ Diversified business markets: cake decoration, food ingredients, premium bakery
- ★ Diversified sales channels: retail, manufacturing, wholesale, foodservice and export
- ★ Market-led growth strategies identified for each division
- ★ Investments completed in the major growth opportunities
- ★ Following re-capitalisation, new focus on cash generation and value creation



www.realgoodfoodplc.com

Navigating the Report



For further information within this document and relevant page numbers



Additional information online

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Overview

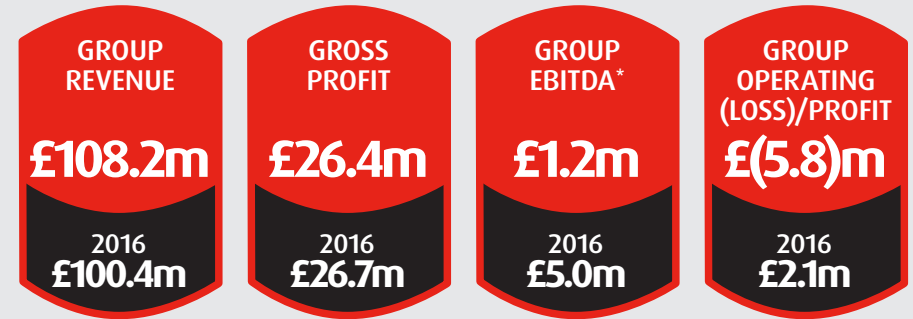
Financial Highlights

- Revenue increased by 8% from £100.4m to £108.2m
- Gross profit reduced by 1% from £26.7m to £26.4m
- EBITDA reduced from £5.0m to £1.2m leading to an operating loss of £(5.8)m (2016: £2.1m)
 - Delay in passing on raw material price inflation post-Brexit vote
 - Significant sugar trading dispute unresolved during the financial year
 - Increases in overheads and costs as part of growth plan
 - Poor control of central costs
 - Impairment of assets and goodwill
- Net debt at 31 March 2017 was £16.2m (2016: £5.0m)

Operational Highlights and post period end events

- Strategic decision taken to invest in increasing capacity at main Cake Decoration and Premium Bakery sites
- Re-financing undertaken post-year end to fund growth plan
- Significant Board changes
- Review of financial processes and procedures and corporate governance being undertaken
- Focus on cash generation
- New banking covenants agreed

 Read more in the Finance Review on pages 16 to 19



*Represents adjusted EBITDA see note 5 for reconciliation
2016 represents continuing operations

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.

Head Office

The Group functions of Finance, HR, Information Services, Technical, Marketing and the Innovation Centre provide support to all the businesses on specific strategic projects as well as promoting best practice.

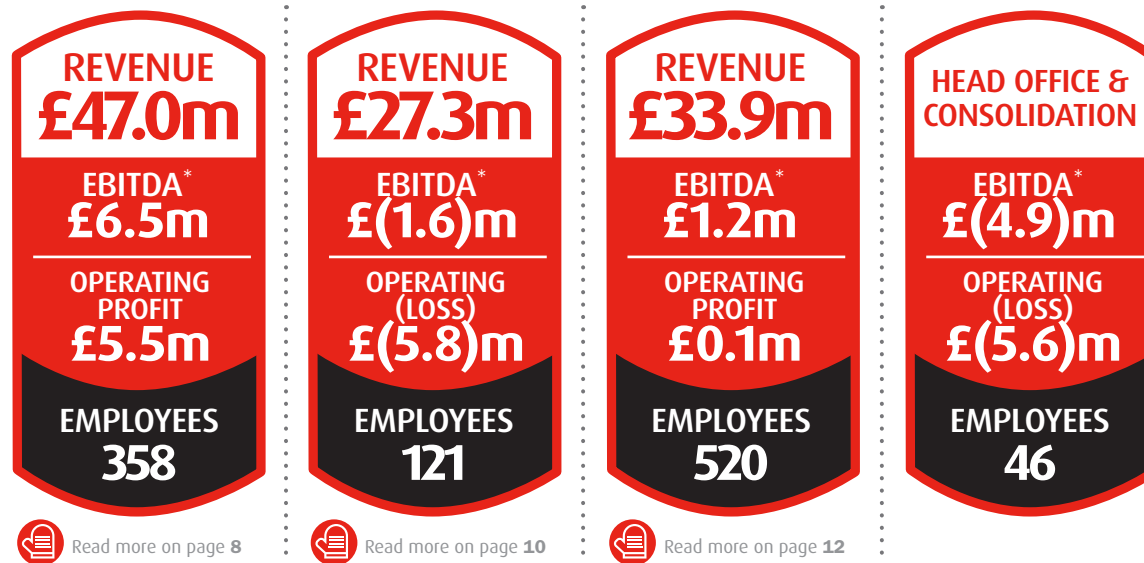
Examples include management leadership training, support for BRC and FDA audits, product and brand development for major launches such as the new Renshaw Simply Create brand as well as ongoing promotion of best practice in health and safety and environmental management.

The Group functions enable each of Real Good Food's individual businesses to operate to the highest standards within the food industry.

Real Good Food



Cake Decoration • Food Ingredients • Premium Bakery



*Represents adjusted EBITDA see note 5 for reconciliation



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 310 employees

Rainbow Dust Colours: Preston 32 employees

Renshaw Europe: Brussels 10 employees

Renshaw Americas: 6 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. **Brighter Foods** (acquired in April 2017) manufactures snack bars, both branded and own label, targeted at areas such as diet control, gluten free, lactose free, low or no added sugar, sports nutrition, organic and fair trade.

Garrett Ingredients: Thornbury, near Bristol and Swindon 25 employees

R&W Scott: Carlisle, near Glasgow 96 employees

Brighter Foods: 179 employees



Premium Bakery



Haydens bakes premium tarts, pies and crumbles, Danish pastries, 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 483 employees

Chantilly: Paignton, Devon 37 employees

Statement from the Board

2016/17 Performance

Real Good Food has recently experienced a period of substantial management change at the executive leadership and Board level as well as challenging trading conditions. These management changes have principally been instigated following the recognition that the financial performance of the business during the reported period was substantially below the level that might reasonably have been anticipated. Poor corporate governance and controls were also identified and are being addressed.

While sales grew from £100.4 million in 2015/16 to £108.2 million in 2016/17, EBITDA dropped from £5.0 million in 2015/16 to £1.2m in 2016/17 leading to an operating loss of £(5.8) million.

There were three main reasons for this. First, there was the adverse effect of the exchange rate on key commodity prices following the Brexit vote and a lag in implementing price increases to restore margins. Secondly, there was poor financial control of central costs. Finally, a significant trading dispute regarding the non-supply of contracted sugar to Garrett Ingredients, remained unexpectedly unresolved by the year end.

The Board recognised these failings and as a result has taken the following actions.

Re-capitalisation

Shortly after the year end, the acquisition of Brighter Foods took place. The Board sees this as a very strong addition to the Group's portfolio (details are given on Page 11). Following this acquisition, it became clear that the business was seriously under-funded and was not in a position to pursue its growth plan, particularly at Renshaw and Haydens.

In June, a major re-capitalisation was effected by raising £4.0 million of loans from two existing shareholders and £10.0 million of loan notes and equity from a new shareholder.

There is a peak in capital investment during the year 2017/18 and so in July 2017 a further £2.0 million was invested by the two existing major shareholders to secure an overdraft facility with Lloyds Bank plc and a further £4.0 million has been raised by all three major shareholders in September 2017 to ensure that sufficient working capital is now available to enable the Company to execute its strategy.



Right: Renshaw Simply Create.



Create • Inspire • Enjoy





Left: Haydens iced twisted yum yum.

The major shareholders have also stated that, while this is not anticipated, they are prepared to support as required any short term working capital shortfall. In September, following the conclusion of these cash injections, new agreements on covenants were concluded with Lloyds Bank which has confirmed its continued support for the business for at least 12 months.

Board changes

On 1st August Peter Salter (Non-Executive Director) resigned and Pieter Totté (Executive Chairman) and Dave Newman (Finance Director and Company Secretary) resigned on 7th August.

The Board has been significantly strengthened by the appointment of three new Directors. Judith MacKenzie (non independent Non-Executive Director) was appointed on 29th June and Hugh Cawley (independent Non-Executive Director) joined on 7th August. Harveen Rai, was appointed as Finance Director and Company Secretary on 14th August and on 8th August, Christopher Thomas was appointed as Executive Director (from Non-Executive) and Pat Ridgwell assumed the post of Interim Non-Executive Chairman (from Deputy Chairman).

These changes were made to improve the independence and corporate governance structure of the Board and to further strengthen the strategic and turnaround expertise for the Group. The Board intends to undertake a full independent review of the Group's financial processes and procedures, corporate governance and controls in light of the previous failings.

Operating performance and outlook

Following this challenging period, the operating businesses are now focused on cash generation and on achieving short term targets with the aim of creating strategic value for all shareholders in the longer term.

Despite these unsettling times the Board is confident that the underlying position of each business is fundamentally sound. Sales growth performance is strong—in the first 22 weeks of the FY 2018, like-for-like revenue is up 10% year-on-year in both Cake Decoration and Premium Bakery and up 28% in Food Ingredients though this latter sector is partly impacted by increased commodity prices—but it is recognised that this must be converted into operating profit and operating cash flow at the Group level.

For the remainder of the 2017/2018 year, prior to the critical Christmas trading period, sales prospects continue to remain positive. The re-capitalisation and cash injections have enabled the investment programmes (£11 million at Haydens on freezing capability and a new Yum Yum line and £8 million at Renshaw on new automated icing discs and soft icing production lines) to proceed. The delays have, however deferred the delivery of benefits which are now anticipated to be fully realised in FY 2019.

Real Good Vision

Export

Americas, Europe and Australasia

Foodservice

New tailored range for out of home

Brand

Renshaw Simply Create to target the novice user

Frostings and Icing Discs

Export and novice opportunity

Summary

The Board remains confident in the future prospects for the Company. With new leadership, a commitment to improve the Group's financial controls and corporate governance, the Board believes the business is now well positioned to capitalise on the investment being made to improve profitability and cashflow over the coming years for the benefit of all shareholders.

Marketplace Review

As a diversified food business, Real Good Food operates in a wide number of food market sectors and sales channels. With a market-led philosophy, the business carefully monitors trends which shape business plans. A summary of major trends in each division is shown below.



Cake Decoration



Nine out of ten households in the UK bake at home at some time. The growing interest in home-baking has been fuelled by the likes of the Great British Bake-Off which was the most watched television programme in 2016 with 14 million viewers.

In the last 12 months the £135 million retail cake decoration market has flattened off with the only area in any growth being frostings (soft icings) which grew by 3% value in 2016. (*Kantar 12 months 2016*) While the market has benefited from positive attitudes towards home-baking, there has been relatively little branded support and innovation helping consumers become more proficient. Renshaw's planned launch of a new retail brand 'Simply Create' is designed to fulfil this opportunity.

Internationally, the market for icings is predicted to show a compound growth rate of over 4% over the next five years with America and Europe accounting for over 80% of the market. (*QYR Food Research Centre*)



Food Ingredients



This division encompasses a wide range of markets such as sugar, dairy, jams, sauces, coatings and health and nutrition. Consumer concerns about sugar are well documented and manufacturers are reacting accordingly by looking for added value alternatives. Significantly, consumers who are most concerned about their sugar consumption spend £5 per week more on groceries underlining the added value opportunity.

Both RGF's acquisitions in this division, Garrett Ingredients Nutrition and Brighter Foods, have targeted the growing 'health' sector. Health is now cited as a reason for food choice on 40% of food occasions in home. 'Free from' products are now bought annually by as many as 80% of households with markets such as 'Free From Cereal Bars' growing at 35% year on year. The overall market for groceries bought specifically for health reasons is now worth in excess of £20 billion and is growing at four times the rate of the total market. (*Kantar*)



Premium Bakery



The total market for sweet cakes and pastries is £2.7 billion and is growing at 2%. Haydens operates in seven premium categories within this, all of which recorded positive value growth in 2016 such as tarts (+4%), sweet buns (+3%), croissants (+5%) and Danish pastries (+6%). (*Kantar*)

Haydens' strategy is also to expand in foodservice (the Chantilly Patisseries business is totally focused in this sector) where consumer trends point to further growth. 93% of consumers now eat out of home every week in a total market worth £87 billion and growing at 2.3% in 2016. Two specific relevant sectors are coffee shops for Haydens and branded food pubs for Chantilly. Turnover in coffee shops grew 12% in 2016 and reached £8.9 billion – a third of consumers now visit a coffee shop at least four times a week and 20% daily. (*Allegra 2016*) Meanwhile the number of branded food pubs has grown by nearly 50% over the past five years. (*CGA Peach 2016*)

Strategy

Group strategy remains to build long term sustainable businesses in each of the three pillar markets of Cake Decoration, Food Ingredients and Premium Bakery.



While acquisitions (e.g. Rainbow Dust in January 2015 and Brighter Foods in April 2017) have played an important role in expanding the existing businesses, the focus going forward will be on investment in the existing businesses. These investments will target both growth and efficiency.



Cake Decoration

GROWTH DRIVERS

Export

Americas, Europe and Australasia

Brand

Renshaw Simply Create to target the novice user

Frostings and Icing Discs
Export and novice opportunity



INVESTMENT

- Site reconfiguration to improve in-line processing
- Automation of disc and plaque production
- New premium quality hot process frostings
- Reduction in outside warehousing



Read Our Strategy in Action on page 9



Food Ingredients

GROWTH DRIVERS

Brighter Foods health bars
(acquired April 2017)

Premium sauces and coatings
Bespoke soft fillings



INVESTMENT

- Brighter Foods capacity
- Preserves production and retail jar facility



Read Our Strategy in Action on page 11



Premium Bakery

GROWTH DRIVERS

Yum Yums

Broader retail customer base
Develop foodservice



INVESTMENT

- Freezing capability for quality, efficiency and flexibility
- Yum Yum capacity and in-line processing
- Site reconfiguration to release space for capacity growth



Read Our Strategy in Action on page 13

Divisional Business Review

Real Good Food

Cake Decoration

2016/17 Performance

After a disappointing first half, sales saw good growth in the second half of the year. Volumes of sugarpaste and caramels grew though marzipan sales fell slightly. Sales for export grew with increasing demand in the US and the launch of Renshaw 'Extra' in Europe. Rainbow Dust faced increased competition but still managed to grow sales by 13% with the Progel colours range performing particularly strongly.

Overall divisional EBITDA was down on the previous year by £0.9 million as a result of increased overheads at Rainbow Dust and in Europe as well as set up costs and people investment in the new Americas operation.



Forward plans

Product plans at Renshaw include a drive on discs and plaques from the new automated line while frostings and the Simply Create ranges will begin sale in the final quarter. Significant new business is anticipated internationally with the developing American market and the launch of the brand into Australia. The Rainbow Dust range will be relaunched during the year with a refreshed logo, new designs and internationally compliant packaging.

12 MONTHS TO MARCH	2016/2017 £m	2015/2016 £m
Revenue	47.0	48.3
EBITDA*	6.5	7.3
Operating profit	5.5	6.5
Operating profit %	11.7%	13.5%

The investment plan at the Renshaw Crown street site has begun with the installation of new sugar milling capacity, the new, automated discs and plaques line and the hot process frostings for the Simply Create brand. At Rainbow Dust, the site is being upgraded to BRC standard which will open up sales opportunities within the manufacturing sector.



*Represents adjusted EBITDA see note 5 for reconciliation

Strategy in Action

A real opportunity for Renshaw to launch a new brand and teach novice consumers cake decorating skills



Renshaw's products are held in high esteem by professional cake decorators. With the growing interest in cake decorating by more novice consumers, the opportunity has been identified for the launch of a Renshaw brand targeted at less proficient consumers with products designed to help them create impressively decorated cakes. This is seen as a major source of market growth. Extensive consumer research was undertaken and the new brand, Renshaw Simply Create, will be introduced into mainstream retailers in 2018. The initial range will include high quality frostings in a unique tub, easy-to-use, tasty icings in a carton and pourable icings. All the products are new to the market and will help less confident consumers create professional looking results.

The brand will be supported by a television campaign as well as PR and digital campaigns.



Read about Our Strategy on page 7



Pictured: Simply Create range of frostings, ready to roll icing and pour over icing.



Divisional Business Review

Real Good Food

Food Ingredients

2016/17 Performance

Sales revenues grew by over 20% but this was largely a result of recovering commodity prices in sugar and dairy. R&W Scott increased its sales by just over 5% while Garrett's pursued a strategy of retaining customer volume despite poor margins. Both businesses suffered gross margin reverses with Garrett Ingredients particularly suffering around the sharp and unexpected currency movements after the Brexit vote leading to increased commodity costs. A dispute regarding the supply of sugar constrained Garrett's trading position and remained unresolved at the year end. As a result the division traded at an operating loss.

An annual impairment review was conducted in accordance with IAS38 'Intangible assets' and IAS36 'Impairment of assets' and this resulted in an impairment of goodwill and fixed assets of £3.6 million.



Forward plans

The acquisition of Brighter Foods transformed the scale and profitability of this division and met the objective of expanding our presence in the added value health sector. New supplier relationships following the trading dispute should enable margin recovery in sugar from October 2017, while dairy trading should also present opportunities during the second half of the year providing currency trends stabilise.

12 MONTHS TO MARCH	2016/2017 £m	2015/2016 £m
Revenue	27.3	22.7
EBITDA* (loss)	(1.6)	(0.1)
Operating (loss)	(5.8)	(0.4)
Operating (loss) %	(21.2)%	(2.0)%

R&W Scott started supply of a major jam contract in September while last year's investment will deliver operational savings. R&W Scott has also worked on a number of inter-company supply contracts, particularly to Haydens, which will bring margin in-house.



*Represents adjusted EBITDA see note 5 for reconciliation

Strategy in Action

The acquisition of an 84.3% share in Brighter Foods has given Real Good Food a strong platform in the growing health market.



Brighter Foods which was acquired in April 2017 creates and manufactures snack bars for the healthy snacking market from its factories in Tywyn, Gwynedd in Mid Wales, where it is a major local employer with some 179 full-time staff. The award-winning company produces snacks which are targeted at areas such as diet control, gluten free, lactose free, low or no added sugar, sports nutrition, organic and fair trade. Brighter Foods manufactures both partner branded products and has its own healthier brands such as Wild Trail which is stocked in major retailers and health stores.



Read about Our Strategy on page 7



Pictured: Brighter Foods snack bars and its manufacturing



Divisional Business Review

Real Good Food

Premium Bakery

2016/17 Performance

Divisional sales grew 15% YOY (partly a result of the Chantilly acquisition) though Haydens like for like sales were over 7% higher. Most of the growth came from established customers such as Waitrose and Marks and Spencer. Performance at Chantilly was frustrated by capacity constraints with a delay in the proposed move to a new site nearby. At Haydens a strengthened management team was in place for the final quarter.

EBITDA increased by £0.4 million despite a delay in price recovery on raw materials (butter, Haydens' biggest raw material by value doubled in price between July and October 2016) so the strong Christmas trading period saw lower margins.



Forward plans

The factory investment plan at Devizes will transform the operation with significant added Yum Yum capacity and freezing capability which will reduce costs and increase flexibility. A number of new products are planned with the first stage of additional capacity coming on stream in September and the second from January 2018. There is increasing interest in Haydens' product capabilities from a number of new retailers. The Haydens Distribution operation is expected to continue to perform well with Waitrose and growth in third party sales. Following the delay in moving the Chantilly operation, a review of options will be undertaken during the autumn of 2017.

12 MONTHS TO MARCH	2016/2017 £m	2015/2016 £m
Revenue	33.9	29.4
EBITDA*	1.2	0.7
Operating profit	0.1	(0.1)
Operating profit %	0.3%	(0.5)%



*Represents adjusted EBITDA see note 5 for reconciliation

Strategy in Action

Haydens will have the largest and most efficient yum yum plant in the world.



Haydens is one of only two main manufacturers in what is a relatively small market (estimated £13 million) within the overall indulgent sweet treat category. However, part of this results from the restricted availability in major retailers and this represents a significant opportunity. Haydens' product has a reputation for quality and a development programme combined with significant investment in more automated production will see sales grow next year. The new line will be able to produce a range of sizes from standard to mini, different shapes including twists, as well as having filling and glazing capability. Yum Yums are set to become the indulgent treat of choice.



Read about Our Strategy on page 7



Pictured: Haydens' new yum yum manufacturing



Corporate Social Responsibility

Real Good Food plc is committed to ensure that Corporate Social Responsibility is part of daily business practice.

Corporate Social Responsibility is integral to the mission of building long term sustainable businesses in our three pillar markets.

Each business now has a Corporate Social Responsibility Plan that has been built around the Group's Responsible Business Framework and is actively engaged in its fulfilment.

The Responsible Business Framework that was in place last year has three key objectives:

- To be the employer of choice
- To be proactively involved within our communities and build a strong reputation for social responsibility
- To continue to strengthen our reputation for respect, integrity and innovation with our customers, suppliers, employees and partners.

A member of



The following are three examples which illustrate the type of activity that our businesses are engaged in against each of those three objectives.

1) Greater employee involvement

For each business, to be the 'Employer of Choice' and the emphasis is on training our people and ensuring health and safety as well as rewarding and celebrating success.

Renshaw has given particular emphasis to Health and Safety training, giving employees recognised qualifications and increased participation in commitment to procedure.

115 people completed L2 Food Safety, 113 people completed L2 Health & Safety in the Workplace and 114 people went through a site re-induction and Allergen Awareness Training.

A full programme of Health and Safety Legislative training has been completed including DSEAR, Asbestos Awareness, Legionella, PUWER and IOSH Managing Safely for the managers on site.

Renshaw also managed to secure funding for its courses from Skills for Growth, an organisation which supports SMEs in the Liverpool area to co-invest in improving the skills and productivity of a workforce to enable growth.

2016 saw all of the warehouse employees and some engineers complete their refresher fork lift truck training and they are now registered with the professional qualification RTITB/NORS.

A key successful innovation in 2016 has been working with site operators on the new marzipan disc line to write their own Safe Operating Procedures against the introduction of a new format which includes more detailed training. This has been a great success, and the operators have enjoyed being involved in creating them.



Pictured: Renshaw marzipan operatives. Renshaw fork lift training. Carluke charity bike ride. Carluke on the run 10k Run.

2) Continued involvement in community participation

All Real Good Food businesses have good positive links with the community.

R&W Scott has a long heritage of active support of community projects and are particularly committed to engaging with the local community.

Last year they worked with a number of charities including the Carluke Development Trust, Carluke Bid, the Beatson (a local cancer charity and hospital facility), Macmillan Cancer Support and Alzheimer's Scotland. Various events were held by staff such as the 10k 'Carluke on the Run', and a 10-hour charity bike ride.

They also continue to develop links with local nurseries and schools; a number of managers and members of the senior team gave up their time to advise on career opportunities within the food industry as well as support Career Skills Week at the local high school, giving interview advice to S5 and S6 year pupils.

The financial year 2017/18 will see R&W Scott further develop these relationships, not only through donations and fundraising events, but also in volunteering opportunities. Staff are encouraged to come forward with events and ideas to be more involved in the local community and they aim to hold at least one event per quarter next year.



3) New initiatives for environmental performance

All of the Group businesses focus on building their relationships with customers and suppliers and are committed to ensure that Group operations are managed to be both ethically and environmentally responsible.

An environmental initiative of note is the work that Haydens has completed with new food waste partner Codford Biogas.

Historically, Haydens had this food waste collected and transported to the Midlands for pig feed. Some waste had to be separated from its packaging by hand which was inefficient in terms of yield and labour. To address this issue, Haydens now uses the industrial processor of a food waste plant at



Pictured: Codford Biogas

Codford Biogas which can handle all types of food waste, packaged or not.

Through a process called Anaerobic Digestion, it utilises the waste as a raw material to create methane, which in turn is used to generate electricity that is 100% renewable and exported to the National Grid. The plant generates 3.7 megawatts of power, which is sufficient to supply up to 4,000 homes or 10,000 people. This environmentally friendly solution has helped Haydens with efficiency, reduced disposal costs and significantly reduced transport costs.

Health and Safety

Safety performance has remained relatively consistent across the Group with records being set at all of the major sites. Renshaw went 180 consecutive days without a reportable injury, while R&W Scott went 330 days and Haydens, at time of writing, are at 550 days and counting. These are significant milestones and the result of much proactive work across the businesses.

In November 2016 the Group created a new role of Group Head of Health, Safety and Environment. This role will work with all of the operating sites in helping smaller businesses ensure legal compliance and continuous improvement.

Common priorities for 2017/18 include:

- ✱ Training and competence: a fundamental for performance and defence of Employers' Liability claims.
- ✱ Managing the safety associated with the major capital expansions at Haydens and Renshaw.
- ✱ Environmental management in terms of legal compliance, Corporate Social Responsibility and utilities cost.
- ✱ Ensuring adequate risk management. Protecting our staff and our business from the consequences of accidents and ill health at all of our operating sites.

Finance Review

Overview

During the audit process for these full year accounts for the year ended 31 March 2017, a number of issues were identified, which ultimately resulted in a significant profit downgrade for the Company. As a result, the finance team has been working together with the Board of Directors, the Company's auditor, financial adviser and external consultants in a comprehensive review of the Company's financial position.

Revenue

Group revenue for the 12 months ending 31 March 2017 was £108.2 million (2016: £100.4 million) which is an increase of 8% on the revenue to 31 March 2016. This is the result of growth in the Food Ingredients business of £4.6 million, and in Premium Bakery of £4.5 million offset by Cake Decoration which traded behind prior year by £1.3 million. The increase of revenue in Premium Bakery included a full year effect of the acquisition of Chantilly which amounted to £2.1 million in the year.

Results of continuing operations

	31 March 2017 £'000s	31 March 2016 £'000s
Revenue	108,208	100,439
Gross Profit	26,351	26,670
Delivered Margin	21,383	21,303
EBITDA (adjusted)	1,179	5,043
Operating Loss/Profit	(5,819)	2,137
Operating Loss/Profit %	(5.4)%	2.1%
Loss/Profit before tax*	(6,462)	4,735

*The 2016 Profit before tax of £12,890k is made up of Continuing Operations of £4,735k and Discontinued Operations of £8,155k



Above: Brighter Foods Wild Trail snack bars.



Left: Haydens' iced twisted yum yums

Profit measure on operations

Gross profit on the continuing businesses for the overall Group was broadly flat at £26.4 million (2016: £26.7 million). At 19.8% of revenue gross margin was lower than the 21% reported in 2016. This reduction in margin has reflected higher than anticipated commodity ingredient costs, in part due to an underestimation of the impact of currency volatility post-Brexit, compounded in some cases by a later than expected price recovery from customers following the increase in raw material costs.

The operating loss for the 12 months to 31 March 2017 was £(5.8) million, down significantly from a profit of £2.1 million in 2016.

The operating loss in the year of £(5.8) million is reported after the impairment charge of £4.1 million, depreciation charge of £2.4 million, amortisation of £0.4 million and significant items of £0.1 million.

An annual impairment review has been conducted and this resulted in an impairment of goodwill of £1.6 million (see note 15) and an impairment of fixed assets of £2.5 million (see note 17)

This has resulted in a statutory loss before tax of £6.5 million (2016: profit of £12.9 million) giving a basic loss per share of 8.50p in 2017 against an EPS of 18.36p in the prior year (see note 14).



Right: Simply Create ganache



Finance Review (continued)

Cash flow and net debt

Given the factors described above, insufficient cash was generated to fund the Company's strategic investment programme and further borrowings were secured. Investment in tangible and intangible assets in the year amounted to £11.5 million which led

to the Company's increasing net debt by £11.2 million (2016: £5.1 million) to £16.2 million as at 31 March 2017. This led to a worsened ratio of net debt to EBITDA from 1.0 in 2016 to 13.7 in 2017.

31 March 2017 £'000s	31 March 2016 £'000s
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Working Capital (inventories, trade and other receivables, trade and other payables)	14,096	16,156
Net Borrowings (incl cash)	16,231	5,066
Net Debt/EBITDA	13.7	1.0

Capital cancellation and dividend

Following the capital cancellation of the parent company share premium account and following the Company statement at the AGM, the Directors paid an interim dividend in the year of 0.04p in January 2017 (2016 – £Nil).

The Directors are not intending to recommend payment of a final dividend in respect of the 12 months ended 31 March 2017 (2016 – £Nil).

Re-financing

Following the year end, the Company undertook a major re-capitalisation exercise by raising loans from existing shareholders and loan notes and equity from a new shareholder. Together with

existing loan facilities the Company's cash position has now been stabilised and this combination of sources has injected a total of £20.0 million of funds into the 2017/18 FY (see notes 22 and 33).

The Board is now confident that sufficient working capital is available to enable the Company to complete its investment programme and execute its growth strategy.

Outlook

A key focus for the year is to ensure that, with stronger financial controls and improved corporate governance, the management team supports the planned growth of the businesses, to increase shareholder value and returns.



Food Ingredients



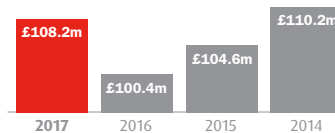
Above: Brighter Foods Wild Trail snack bars.

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. The key performance indicators, all based on continuing operations, are set out below. The Board intends to review these Key Performance Indicators in the coming year with a greater emphasis on targets for free cash flow generation.

REVENUE GROWTH

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

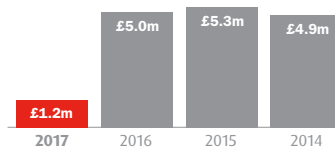


COMMENT

Revenue in the year has increased by 8% driven by Premium Bakery and Food Ingredients

EBITDA

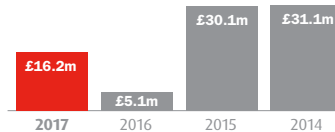
EBITDA is defined as earnings before significant items, interest, tax depreciation and amortisation.



EBITDA of £1.2 million reflecting both difficult market conditions, including commodity price increases due to currency volatility, and increased overhead costs

NET DEBT

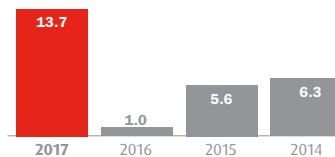
Net Debt is the total Group borrowings less cash at bank.



Net debt in the year has increased to £16.2 million to fund the Group's investment strategies

DEBT COVER

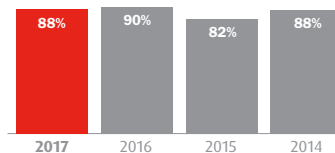
Debt cover is calculated by dividing total Net Debt by continuing EBITDA.



As a result of increased net debt the current net debt/EBITDA cover stands at 13.7

HEALTH & SAFETY SCORE

Health & Safety score represents an average score across the sites and is measured against internal standards generated by an external consultant. Figures are quoted for calendar years.



For 2018 the Group will change to an industry HSE standard measurement of Accident Frequency Rate to give a more comparable measurement with other industries



Board of Directors



Pieter Totté
Executive Chairman
(resigned 7 August 2017)

David Newman
Finance Director and Company Secretary
(resigned 7 August 2017)

Peter Salter
Non-Executive Director
(resigned 7 August 2017)

*Resignation and appointment dates as registered at Companies House

Patrick Ridgwell
Executive Interim Chairman

Assumed role of Interim Chairman 8 August 2017

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 Limited.

Harveen Rai
Finance Director and Company Secretary
(appointed 7 August 2017)

Harveen has 20 years of experience, predominately in fast-moving consumer goods listed companies. She was previously Chief Financial Officer at Arzyta UK Holdings Limited ("Arzyta"), where she was involved in implementing and streamlining the processes and controls of the company. During her time at Arzyta, Harveen was also involved in developing and strengthening the regional finance teams to grow in line with the needs of the business. Prior to her time at Arzyta, Harveen spent over ten years working at LSG Sky Chefs, a global airline catering company which is owned by Lufthansa. Harveen is a member of the Chartered Institute of Management Accountants.

Judith Mackenzie
Non-Executive Director
(appointed 21 July 2017)

Judith joined Downing LLP in October 2009 and is Partner and Head of Public Equity. Previously she was a partner at Acuity Capital, a buy-out from Electra Private Equity, where Judith managed small company assets. Prior to Acuity, she spent seven years with Aberdeen Asset Management Growth Capital as co-Fund Manager of the five Aberdeen VCTs, focusing on technology and media investments in both the public and private arenas. Judith has held a number of public and private directorships.

Christopher Thomas
Executive Director

Assumed role of Executive Director 8 August 2017

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

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.

Hugh CL Cawley
Non-Executive Director
(appointed 7 August 2017)

Hugh has extensive public company experience with a particular focus on helping businesses facing a major strategic challenge or undergoing significant corporate change. After working for Procter & Gamble and ICI plc in the early part of his career, his more recent public company executive roles have included spells with S Daniels PLC, Dawson Holdings PLC, office2office plc and, most recently, Driver Group plc. Hugh is also a founding member of the advisory board of the Confucius Institute for Business at the University of Leeds.

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 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.



Harveen Rai Finance Director and Company Secretary

Harveen has 20 years of experience, predominately in fast moving consumer goods listed companies. She was previously Chief Financial Officer at Arzyta UK Holdings Ltd ("Arzyta"), Harveen is a member of the Chartered Institute of Management Accountants.

Report of the Directors

The Directors present their report and the audited financial statements for the 12-month period ended 31 March 2017

Corporate governance

The Directors acknowledge the importance of the principles set out in the UK Corporate Governance Code 2012. The UK Corporate Governance Code 2012 is not compulsory for AIM quoted companies and has not been complied with. However, the Directors apply the principles as considered appropriate given the size and nature of the Company in accordance with the UK Corporate Governance Code 2012, and the more relevant QCA Corporate Governance Code for Small and Mid-Size Quoted Companies 2013.

On 21 July the Board was strengthened by the appointment of Judith MacKenzie (non-independent Non-Executive Director) and on 7 August of Hugh Cawley (independent Non-Executive Director). On 7 August, Christopher Thomas was appointed as Executive Director (from Non-Executive) and Pat Ridgwell assumed the post of Interim Non-Executive Chairman (from Deputy Chairman). Harveen Rai was appointed as Finance Director on 7 August. On 7 August Peter Salter resigned as Non-Executive Director, Pieter Totte resigned as Executive Chairman of the Company and David Newman resigned as Finance Director.

These changes were made to improve the independence and corporate governance structure of the Board.

The Board is clear that the standards of Corporate Governance and reporting have historically been below those which investors might reasonably expect and is committed to rectifying this important aspect of operations and disclosure. The Board therefore intends to appoint external advisers to conduct a full review of the Company's Corporate Governance and Financial Reporting procedures

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 Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the Strategic Report, the Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the Real Good Food plc website is the responsibility of the Directors; the work carried out by the auditor does not involve the consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

Going concern

The Directors have considered the Group's business activities together with the factors likely to affect its future development and performance. These assumptions have been projected and shared with the Company's bank and advisers.

The Company has now successfully renegotiated new banking covenants and confirmed the support of the bank for the next 12 months. The principal shareholders of the Group have shown considerable support for the working capital requirements and,

having carefully considered the liquidity of the Company in line with future performance, the Directors believe that there are sufficient resources in place for the Group to meet its liabilities and that the Group is well placed to manage its business risks. The Directors believe the Group is a going concern and the financial statements have been prepared and submitted on that basis.

Provision of information to auditor

Each person who is a Director at the time when this Report of the Directors is approved has confirmed that:

- As far as that Director is aware, there is no relevant audit information of which the Group's auditor is unaware, and
- That each Director has taken all the steps that ought to have been taken as Director in order to be aware of any information needed by the Group's auditor in connection with preparing its report and to establish that the Group's auditor is aware of that information.

Principal continuing activities

The principal activities of the Group are the sourcing, manufacture and distribution of food to the retail and industrial sectors.

Business review and future developments

These topics are covered in detail within the Statement from the Board, Divisional Reviews and Finance Director's Report on pages 4 – 24.

Non-current assets

Details of changes in non-current assets are given in notes 15, 16 and 17 to the financial statements.

Directors

Subsequent to the year end P Totté, P Salter and D P Newman resigned their positions as Directors of the Company and H Rai, J Mackenzie and H Cawley were appointed to the Board; details are given on page 20.

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

	31 March 2017	31 March 2016
P W Totté*	2,816,124	2,816,124
P G Ridgwell**	22,502,354	22,502,354
P C Salter	181,000	181,000
C O Thomas	290,363	290,363
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 891,124 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 11 to the financial statements.

Substantial interests

There were the following substantial interests (3% or more) in the Company's ordinary share capital:

31 March 2017	% Holding in Ordinary Share Capital
Napier Brown Ingredients Limited	31.9%
Omicane International Investors Limited	29.7%
28 September 2017	% Holding in Ordinary Share Capital
Napier Brown Ingredients Limited	28.2%
Omicane International Investors Limited	26.3%
Downing LLP	10.0%

Directors' indemnities

The Company has paid £9,450 (2016 – £9,987) in respect of Directors' and Officers' Indemnity Insurance.

Report of the Directors (continued)

Financial instruments

The Group's financial instruments comprise bank term loans and a revolving credit facility, 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 to its commodity purchases which is offset in part by foreign currency sales. 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 24 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 Executive 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 £3,689 (2016 – £5,568). No political donations were made during the current or previous financial period.

Research and development

During the period the Group incurred costs 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. Of these costs £291k (2016 – £nil) has been capitalised as an intangible asset in line with the Group's accounting policy and IAS 38.

This report was approved by the Board on 28th September 2017 and is signed on its behalf by

C O Thomas

Executive Director

H Rai

Finance Director

Audit Committee Report and Remuneration Committee Report

Audit Committee Report

Between April 2016 and August 2017, the Audit Committee consisted of Peter Salter (Chairman) and Christopher Thomas. Following Peter Salter's resignation on 1 August 2017, the Committee now comprises Hugh Cawley (Chairman) and Christopher Thomas. Whilst the Committee is scheduled to meet formally only twice a year with the auditors, in relation to the annual and interim accounts, the Chairman of the Committee also maintains a close dialogue with them throughout the year, to ensure they remain apprised of relevant events. Executive Directors are ordinarily present at Committee meetings by invitation only, with the Finance Director ordinarily attending.

The Committee's brief is to monitor the integrity of the audited financial statements of the Group, to consider and determine any significant financial judgements contained in them and to review all published financial statements on behalf of the Board. The Committee is also responsible for the independent monitoring of the systems of internal control, compliance, accounting policies, and keeping under review, including seeking written confirmation annually from them, the independence and objectivity of the external auditor (including a review of any non-audit services provided to the Group).

In light of recent disclosures, a review of the effectiveness of the Corporate Governance and Financial Reporting procedures is to be undertaken, and the effective operation of the Committee will be encompassed within that review.

Remuneration Committee Report

Between April 2016 and August 2017, the remuneration committee consisted of Peter Salter (Chairman) and Pat Ridgwell. Peter Salter resigned and Judith MacKenzie assumed the Chair of the Remuneration Committee on 7 August 2017. Pat Ridgwell and Jacques d'Unienville are also members of the Remuneration Committee.

The current Board acknowledges failings in the process of determining and reporting of historic remuneration of Directors and is committed to improving governance and accountability going forward.

As such the Committee believes that its primary role is to:

- Determine and agree with the Board the framework of remuneration for the group of Executives within its remit;

- Ensure that effective performance management systems are in place to assess the performance of the Executives and the Company;

- Set the remuneration for the plc Directors, selected senior management and the Company Chairman;

- Oversee the implementation and operation of short term and long term incentive arrangements for senior management;

- Agree the policy for authorising claims for expenses from the Chairman and plc Directors.

In future reports the Directors' remuneration policy will be clearly defined, aiming to align the interests of all shareholders and management. The framework will recognise the need to recruit, retain and appropriately incentivise high calibre individuals to deliver the strategy set by the Board.

The Report will outline the base salary, pension, benefits and long term incentive plans of all Board Executives.

Non-Executive Director Remuneration

Subject to annual re-election by shareholders, Non-Executive Directors are appointed for an initial term of three years. Subsequent terms of three years may be granted. The appointment and the Remuneration of the Non-Executive Directors are matters reserved for the full Board. The appointments are terminable by either party with one month's written notice.

The Non-Executive Directors are no longer eligible to participate in the Company's performance related bonus plan, long term incentive plans or pension arrangements. Full terms and conditions for each of the Non-Executive Directors are available at the Company's registered office during normal business hours and will be available at the AGM prior to the meeting and during the meeting.

It is the intention of the current Remuneration Committee to review the long term incentives of key management during the coming year.

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 which comprise the Group and Parent Company Statements of Financial Position, the Group and Parent Company Statements of Comprehensive Income, the Group and Company Cash Flow Statements, the Group and Parent Company Statement of Changes in Equity and the related notes numbered 1 to 33.

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 members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

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

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 2017 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, based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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.

Darren Rigden

Senior Statutory Auditor
For and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
Maidstone
28 September 2017

Consolidated Statement of Comprehensive Income

Year ended 31 March 2017

	Notes	Year ended 31 March 2017			Year ended 31 March 2016		
		Continuing Operations £'000s	Discontinued Operations £'000s	Total £'000s	Continuing Operations £'000s	Discontinued Operations £'000s	Total £'000s
REVENUE	4	108,208	—	108,208	100,439	13,237	113,676
Cost of sales		(81,857)	—	(81,857)	(73,769)	(11,884)	(85,653)
GROSS PROFIT		26,351	—	26,351	26,670	1,353	28,023
Distribution costs		(4,968)	—	(4,968)	(5,367)	(1,149)	(6,516)
Administration expenses		(23,006)	—	(23,006)	(18,221)	(288)	(18,509)
Impairment Charge		(4,109)	—	(4,109)	—	—	—
Significant items	6	(87)	—	(87)	(945)	—	(945)
OPERATING (LOSS)/PROFIT	8	(5,819)	—	(5,819)	2,137	(84)	2,053
Fair value gain on contingent consideration		—	—	—	3,267	—	3,267
Finance costs	9	(427)	—	(427)	(478)	(906)	(1,384)
Other finance costs	10	(216)	—	(216)	(191)	—	(191)
Profit on disposal of discontinued operations		—	—	—	—	9,145	9,145
(LOSS)/PROFIT BEFORE TAXATION		(6,462)	—	(6,462)	4,735	8,155	12,890
Income tax credit/(expense)	13	618	—	618	(439)	—	(439)
Tax on discontinued business		—	—	—	—	256	256
Income tax on significant items	13	(135)	—	(135)	113	—	113
(LOSS)/PROFIT ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		(5,979)	—	(5,979)	4,409	8,411	12,820
OTHER COMPREHENSIVE LOSS							
Items that will not be reclassified to profit or loss							
Foreign exchange differences on translation		(48)	—	(48)	—	—	—
Actuarial (losses) on defined benefit plan		(1,847)	—	(1,847)	(484)	—	(484)
Income tax relating to components of other comprehensive loss		351	—	351	35	—	35
OTHER COMPREHENSIVE LOSS		(1,544)	—	(1,544)	(449)	—	(449)
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR ATTRIBUTABLE TO THE EQUITY HOLDERS OF THE PARENT		(7,523)	—	(7,523)	3,960	8,411	12,371
Earnings per share							
– basic	14	(8.50)p	—	(8.50)p	6.31p	12.05p	18.36p
– diluted		(8.50)p	—	(8.50)p	5.83p	11.13p	16.96p

The notes on pages 34 to 84 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 March 2017

	Issued Share Capital £'000s	Share Premium Account £'000s	Share Option Reserve £'000s	FX Translation Reserve £'000s	Retained Earnings £'000s	Total £'000s
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 distributions to owners of the Group						
Shares issued in the year	10	103	—	—	—	113
Share based payment expense	—	—	15	—	—	15
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
Total comprehensive income for the year						
Loss for the year	—	—	—	—	(5,979)	(5,979)
Other comprehensive income for the year	—	—	—	(48)	(1,496)	(1,544)
Total comprehensive income for the year	—	—	—	(48)	(7,475)	(7,523)
Transactions with owners of the Group, recognised directly in equity						
Contributions by and distributions to owners of the Group						
Shares issued in the year	9	19	—	—	—	28
Deferred Tax on Share based payments	—	—	(177)	—	—	(177)
Dividends paid	—	—	—	—	(28)	(28)
Cancellation of share premium	—	(71,272)	—	—	71,272	—
Total contributions by and distributions to owners of the Group	9	(71,253)	(177)	—	71,244	(177)
Balance as at 31 March 2017	1,411	122	415	(48)	84,818	86,718

Company Statement of Changes in Equity

Year ended 31 March 2017

	Issued Share Capital £'000s	Share Premium Account £'000s	Share Option Reserve £'000s	Retained Earnings £'000s	Total £'000s
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
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
Total comprehensive income for the year					
Loss for the year	—	—	—	(5,963)	(5,963)
Other comprehensive income for the year	—	—	—	(1,496)	(1,496)
Total comprehensive income for the year	—	—	—	(7,459)	(7,459)
Transactions with owners of the Company, recognised directly in equity					
Contributions by and distributions to owners of the Group					
Shares issued in the year	9	19	—	—	28
Dividends paid in year	—	—	—	(28)	(28)
Deferred Tax on Share based payments	—	—	(177)	—	(177)
Cancellation of share premium	—	(71,272)	—	71,272	—
Total contributions by and distributions to owners of the Company	9	(71,253)	(177)	71,244	(177)
Balance at 31 March 2017	1,411	122	415	53,677	55,625

The notes on pages 34 to 84 form part of these financial statements.

Consolidated Statement of Financial Position

Year ended 31 March 2017

Notes	31 March 2017 £'000s	31 March 2016 £'000s
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NON-CURRENT ASSETS			
Goodwill	15	69,416	71,005
Other intangible assets	16	1,155	834
Property, plant and equipment	17	23,932	18,066
Deferred tax asset	19	1,435	1,556
		95,938	91,461
CURRENT ASSETS			
Inventories	20	13,323	12,360
Trade and other receivables	21	16,016	17,039
Current tax assets		233	—
Cash and cash equivalents		464	2,946
		30,036	32,345
		125,974	123,806
TOTAL ASSETS			
CURRENT LIABILITIES			
Bank overdrafts		619	949
Trade and other payables	23	15,243	13,243
Borrowings	22	11,375	7,008
Financial instrument	24	146	—
Current tax liabilities		—	127
		27,383	21,327
NON-CURRENT LIABILITIES			
Borrowings	22	4,701	55
Deferred tax liabilities	19	1,278	1,925
Retirement benefit obligation	30	5,894	6,081
		11,873	8,061
		39,256	29,388
		86,718	94,418
NET ASSETS			
EQUITY			
Share capital	25	1,411	1,402
Share premium account	26	122	71,375
Share option reserve	26	415	592
Foreign exchange translation reserve	26	(48)	—
Retained earnings	26	84,818	21,049
		86,718	94,418

These financial statements were approved by the Board of Directors and authorised for issue on 28 September 2017.

They were signed on its behalf by:

C O Thomas

Executive Director

H Rai

Finance Director

The notes on pages 34 to 84 form part of these financial statements.

Company Statement of Financial Position

Year ended 31 March 2017

Notes	31 March 2017 £'000s	31 March 2016 £'000s
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NON-CURRENT ASSETS			
Investments	18	64,594	65,499
Property, plant and equipment	17	2,369	3,204
Deferred tax asset	19	1,278	1,478
Intangible assets	16	227	—
		68,468	70,181
CURRENT ASSETS			
Trade and other receivables	21	36,122	55,798
Current tax asset		1,470	705
		37,592	56,503
TOTAL ASSETS		106,060	126,684
CURRENT LIABILITIES			
Bank overdraft		210	949
Trade and other payables	23	41,827	56,377
Borrowings	22	1,000	—
		43,037	57,326
NON-CURRENT LIABILITIES			
Retirement benefit obligation	30	5,894	6,081
Deferred tax liability	19	4	16
Borrowings	22	1,500	—
		7,398	6,097
TOTAL LIABILITIES		50,435	63,423
NET ASSETS		55,625	63,261
EQUITY			
Share capital	25	1,411	1,402
Share premium account	26	122	71,375
Share option reserve	26	415	592
Retained earnings	26	53,677	(10,108)
TOTAL EQUITY		55,625	63,261

*The loss after tax of the Company was £5,963k (2016: Profit £6,004k)

These financial statements were approved by the Board of Directors and authorised for issue on 28th September 2017.

They were signed on its behalf by:

C O Thomas

Executive Director

H Rai

Finance Director

The notes on pages 34 to 84 form part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 March 2017

12 months ended
31 March 2017
£'000s

12 months ended
31 March 2016
£'000s

	12 months ended 31 March 2017 £'000s	12 months ended 31 March 2016 £'000s
CASH FLOW FROM OPERATING ACTIVITIES		
Adjusted for:		
(Loss)/Profit before taxation	(6,462)	12,890
Finance and other finance costs	643	1,575
Share based payment expense	—	15
Depreciation of property, plant and equipment	2,434	1,917
Impairment charge	4,109	—
Profit on disposal of Napier Brown	—	(9,061)
Fair value gain on contingent consideration	—	(3,267)
Past service gain on pension	(1,330)	—
Amortisation of intangibles	365	113
Operating Cash Flow	(241)	4,182
(Increase)/decrease in inventories	(963)	(1,900)
(Increase)/decrease in receivables	1,021	(2,034)
Pension contributions	(310)	(282)
(Decrease) in payables	1,497	(1,866)
Cash generated from operations	1,004	(1,900)
Income taxes received/(paid)	(237)	(614)
Interest paid	(427)	(1,661)
Net cash from operating activities	340	(4,175)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from disposal of property, plant and equipment	—	160
Purchase of intangible assets	(686)	—
Purchase of property, plant and equipment	(10,820)	(6,408)
Disposal of Discontinued business	—	37,201
Acquisition of business, net of cash acquired	—	(1,666)
Net cash used in investing activities	(11,506)	29,287
CASH FLOW USED IN FINANCING ACTIVITIES		
Shares issued in year	28	113
Dividends paid	(28)	—
Repayment of borrowings	—	(33,447)
Repayment of loans	(688)	—
Net movements on revolving credit facilities	5,628	3,705
Advances net of repayments on finance leases	4,074	(122)
Net cash used in financing activities	9,014	(29,751)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,152)	(4,639)
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	1,997	6,636
Net movement in cash and cash equivalents	(2,152)	(4,639)
Cash and cash equivalents at end of period	(155)	1,997
Cash and cash equivalents comprise:		
Cash	464	2,946
Overdrafts	(619)	(949)
	(155)	1,997

The notes on pages 34 to 84 form part of these financial statements.

Company Cash Flow Statement

Year ended 31 March 2017

12 months ended
31 March 2017
£'000s

12 months ended
31 March 2016
£'000s

	12 months ended 31 March 2017 £'000s	12 months ended 31 March 2016 £'000s
CASH FLOW FROM OPERATING ACTIVITIES		
Adjusted for:		
Loss before taxation	(6,935)	(3,726)
Finance costs	398	118
Impairment charge	1,425	—
Share based payment expense	—	15
Past service (gain)/loss on pension	(1,330)	191
Depreciation of property, plant and equipment and intangibles	571	26
Operating Cash Flow	(5,871)	(3,376)
Decrease in receivables	63,627	490
Pension contributions	(310)	(282)
(Decrease)/increase in payables	(55,058)	7,430
Cash generated from operations	2,388	4,262
Interest paid	(182)	(118)
Income taxes paid	(234)	—
Net Cash from operating activities	1,972	4,144
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of Intangible Assets	(249)	—
Purchase of property, plant and equipment	(234)	(3,153)
Net cash used in investing activities	(483)	(3,153)
CASH FLOW USED IN FINANCING ACTIVITIES		
Shares issued in period	28	113
Dividend Payment	(28)	—
Repayment of borrowings	(750)	(5,220)
Net cash used in financing activities	(750)	(5,107)
Net increase in cash and cash equivalents	739	(4,116)
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of period	(949)	3,167
Net movement in cash and cash equivalents	739	(4,116)
Cash and cash equivalents at end of period	(210)	(949)
Cash and cash equivalents comprise:		
Cash	—	—
Overdrafts	(210)	(949)
	(210)	(949)

The notes on pages 34 to 84 form part of these financial statements.

Notes to the Financial Statements

Year ended 31 March 2017

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).

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 business in year to March 2016, as described in note 31, gave 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 been adopted by the European Union. The directors have assessed the potential impact of IFRS 15 and do not expect that the adoption of this standard will have a material impact on the financial statements of the Group in future periods. IFRS 16 may have an impact on the measurement and treatment of operating leases and the related disclosures. As at 31 March 2017 the estimated impact of the transition to IFRS 16 would be to increase tangible fixed assets and liabilities by approximately £1.9m. The impact on the profit and loss account is not expected to be material to the 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 16 to 18. In addition, note 22 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 22 to the financial statements, 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 believe 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 result for the financial year, of the holding company, as approved by the Board, was £(5,963)k (2016 – £6,004k).

c) 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. Sales are recorded 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 and 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.

d) 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 applied or substantially applied 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 2017

2. Significant accounting policies (continued)

e) 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.

f) 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 30 to the financial statements.

g) Property, plant and equipment

Property, plant and equipment are 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 assets' 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.

h) Intangible assets

Intangible assets consist of computer software, development costs and business relationships. Software is considered to have an economic life of five years; business relationships which are considered to have an estimated useful economic life of two years and development which have been internally generated and capitalised in accordance with IAS 38 which have an estimated commercial life of 5 years. All of these assets are amortised on a straight-line basis over these periods. The average remaining life of intangible assets is three years (2016 – three years). The charge for the year is included in administration expenses within the Statement of Comprehensive Income.

i) 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.

j) Investments

Investments in the Company accounts relate to investments in subsidiaries and are stated at cost less provision for any impairment in value.

k) 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)

l) 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.

m) 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 only when they have a short maturity of three months or less at the date of acquisition.

n) 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.

o) Trade payables

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

p) 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.

q) 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 arising from transaction in the year are presented in the Statement of Comprehensive Income within the administration expense heading.

Foreign currency differences on the translation of foreign subsidiaries are included in other comprehensive income and are shown as a separate reserve on the Statement of Financial Position.

The Group mitigates foreign exchange risk by taking out forward exchange rate contracts. These are recognised at fair value on the Statement of Financial Position at the year end.

r) 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.

IFRS 3 "Business Combinations" requires that goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3 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.

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

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

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Any contingent purchase consideration payable is recognised at fair value at the acquisition date. If the contingent purchase consideration is classified as equity, it is not remeasured 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.

Notes to the Financial Statements (continued)

Year ended 31 March 2017

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 significantly to 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 2% growth rate. A discount factor, based upon the Group's weighted average cost of capital, which has been increased to reflect the increased risk of the Company being listed on AIM rather than the full market, is applied to obtain a current value ('value in use').

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.

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.

Further details are set out in note 15.

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 5%. Changes to the discount rate of 0.5% would result in a change in the scheme liabilities of (7)% and a 0.5% movement in the rate of inflation would change the liabilities of the scheme by 2%.

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. There is also 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.

Full details of these assumptions, which are based on advice from the Group's actuaries, are set out in note 30.

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 included within significant items only 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.

e) Going concern

The Directors have considered the Group's business activities together with the factors likely to affect its future development and performance. These assumptions have been projected and shared with the Company's bank and advisers.

The Company has now successfully renegotiated new banking covenants and confirmed the support of the bank for the next 12 months. The principal shareholders of the Group have shown considerable support for the working capital requirements and, having carefully considered the liquidity of the Company in line with future performance, the Directors believe that there are sufficient resources in place for the Group to meet its liabilities and that the Group is well placed to manage its business risks. The Directors believe the Group is a going concern and the financial statements have been prepared and submitted on that basis.

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 2017

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.

12 months ended 31 March 2017	Cake Decoration £'000s	Food Ingredients £'000s	Premium Bakery £'000s	Head Office and Consolidation £'000s	Total Group £'000s
Total revenue	51,042	31,667	33,892	—	116,601
Revenue – internal	(4,053)	(4,340)	—	—	(8,393)
External revenue	46,989	27,327	33,892	—	108,208
Underlying adjusted EBITDA (see table below)	6,528	(1,564)	1,167	—	6,131
Operating profit before Head Office	5,758	(2,049)	192	—	3,901
Head Office and consolidation adjustments				(5,524)	(5,524)
Impairment Charge	—	(3,589)	—	(520)	(4,109)
Significant items	(264)	(141)	(95)	413	(87)
Operating profit/(loss)	5,494	(5,779)	97	(5,631)	(5,819)
Net finance costs	(129)	(34)	(83)	(181)	(427)
Pension finance income				(216)	(216)
Profit/(loss) before tax	5,365	(5,813)	14	(6,028)	(6,462)
Tax	(1,280)	763	(29)	1,029	483
Profit/(loss) after tax as per comprehensive statement of income	4,085	(5,050)	(15)	(4,999)	(5,979)

Included in the Premium Bakery segment, one single customer accounts for 19.8% of the continuing Group's external sales for the year ended 31 March 2017.

Geographical segments

The Group earns revenue from countries outside the United Kingdom, but as these only represent 11.6% 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.

5. Segment reporting (continued)

Reconciliation of underlying EBITDA to operating profit	Cake Decoration £'000s	Food Ingredients £'000s	Premium Bakery £'000s	Head Office & Consol Total £'000s	Total Group £'000s
Operating profit/(loss)	5,494	(5,779)	97	(5,631)	(5,819)
Significant items	264	141	95	(413)	87
Impairment Charge	—	3,589	—	520	4,109
Depreciation	719	469	696	550	2,434
Amortisation	51	16	279	22	368
Underlying adjusted EBITDA	6,528	(1,564)	1,167	(4,952)	1,179

31 March 2017	Cake Decoration £'000s	Food Ingredients £'000s	Premium Bakery £'000s	Head Office & Consol Discontinued £'000s	Total Group £'000s
Segment assets	86,663	18,654	16,885	3,772	125,974
Segment liabilities	11,411	8,391	9,044	10,410	39,256
Net operating assets	75,252	10,263	7,841	(6,638)	86,718
Non-current asset additions	3,904	2,525	4,175	233	10,838
Depreciation	719	469	696	550	2,434
Amortisation	51	16	279	22	368

Notes to the Financial Statements (continued)

Year ended 31 March 2017

5. Segment reporting (continued)

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	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

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.

5. Segment reporting (continued)

Inter-segment sales are charged at prevailing market rates.

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	1,917
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.

Notes to the Financial Statements (continued)

Year ended 31 March 2017

6. Significant items

	2017 £'000s	2016 £'000s
Continuing operations		
Head Office relocation following Napier disposal	—	(446)
Past service gain on pensions (note 30)	1,155	—
Management restructuring	(419)	(119)
Acquisition and legal costs	(823)	(380)
Subtotal	(87)	(945)
Taxation on significant items	(135)	113
Total significant items	(222)	(832)

Following a recent review by the Plan's legal advisors, it was identified that for members who left pensionable service before 22 June 1995, all pension increases are at the sole discretion of the Company. Historically, an allowance for future pension increases of 3% pa has been included in the defined benefit obligation. The past service gains of £1,155k (actual gain of £1,584k less costs of service gains £254k and ETV exercise costs of £175k) reflects the value of this discretionary option, rather than the fixed 3% pa assumed historically.

The company incurred acquisition and legal costs, these costs consists of both the successful acquisition of Brighter Foods (April 2017) but also costs relating to abortive acquisitions.

The majority of the restructuring cost relate to the Cake Decoration pillar.

7. Auditor's remuneration

	12 months ended 31 March 2017 £'000s	12 months ended 31 March 2016 £'000s
Fees payable to the Company's auditor for the audit of the Company's annual accounts	255	216
Fees payable to the Company's auditor for other services – continuing operations		
Audit related assurance	42	—
Tax compliance services	21	28
Tax advisory services	35	28
Other assurance services	70	56
Total fees paid to auditor	423	328

8. Operating profit

Notes	31 March 2017 £'000s	31 March 2016 £'000s
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External sales		108,208	113,676
Staff costs	12	31,245	28,457
Inventories:			
– cost of inventories as an expense (included in cost of sales)		53,588	62,805
Depreciation of property, plant and equipment	17	2,434	1,917
Amortisation of intangible assets	16	365	113
Significant items	6	87	945
Impairment Charge	15, 17	4,109	—
Operating lease payment:			
– land and buildings	28	409	560
– other assets	28	436	795
Research and development expenditure*		1,839	1,220
Impairment of trade receivables	21	(92)	165
Foreign exchange (gains)/losses		19	(385)
Other net operating expenses		19,588	15,031
Total		114,027	111,623
Operating loss		(5,819)	2,053

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

Notes to the Financial Statements (continued)

Year ended 31 March 2017

9. Finance costs

	12 months ended 31 March 2017 £'000s	12 months ended 31 March 2016 £'000s
Interest on bank loans and overdrafts	409	467
Loan note redemption fee	—	906
Interest on obligations under finance leases	18	11
	427	1,384
Continuing business	427	478
Discontinued business	—	906

10. Other finance costs

	31 March 2017 £'000s	31 March 2016 £'000s
Interest on pension scheme liabilities	754	738
Interest on pension scheme assets	(538)	(547)
	216	191

11. Directors' remuneration

	31 March 2017 £'000s	31 March 2016 £'000s
Fees	131	131
Executive salaries and benefits	425	757
	556	888

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 2017 £'000s	31 March 2016 £'000s
M J McDonough (to Sept 2015)	2	—	—	2	435
P W Totté	237	—	—	237	223
D P Newman	164	—	22	186	102
P G Ridgwell	30	—	—	30	30
P C Salter	36	—	—	36	36
J M d'Unienville	25	—	—	25	25
C O Thomas	40	—	—	40	40
	534	—	22	556	891

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

The Company Directors disclosed are considered as key management personnel.

Notes to the Financial Statements (continued)

Year ended 31 March 2017

11. Directors' remuneration (continued)

Directors' interests in share options:

Option Type	Date of Grant	Number of options at 31 March 2017	Number of options at 31 March 2016	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	25.00p	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
	Approved options 2010	May 2010	20,408	20,408	24.50p	May 2013	May 2020
	Approved options 2015	May 2015	16,666	16,666	45.00p	May 2018	July 2019

No new options were granted to Directors during the year (2016 – 16,666). 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 2017 was 26p and the range during the year was 46p to 26p.

No Director exercised share options during the year.

During the period retirement benefits were accruing to one (2016 – two) Director in respect of money purchase pension schemes.

12. 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 2017	31 March 2016
Continuing operations		
Production	576	743
Selling and distribution	304	159
Directors and administrative	165	156
	1,045	1,058

The aggregate payroll costs were as follows:

	31 March 2017 £'000s	31 March 2016 £'000s
Continuing operations		
Wages, salaries and fees	27,347	24,640
Social Security Costs	2,669	2,503
Other pension costs	1,229	1,299
Share based payment expense	—	15
	31,245	28,457

Notes to the Financial Statements (continued)

Year ended 31 March 2017

13. Taxation

	31 March 2017 £'000s	31 March 2016 £'000s
Current tax		
UK current tax on profit of the period	84	247
UK current tax on significant items	(84)	(113)
Adjustments in respect of prior years	(134)	(7)
Total current tax	(134)	127
Deferred tax relating to sale of Napier Brown	—	(256)
Deferred tax charge re pension scheme	168	17
Deferred tax on significant items	219	
Origination and reversal of timing differences	(764)	198
Adjustments in respect of prior years	28	73
Adjustments in respect of change in deferred tax rate	—	(89)
Total deferred tax	(349)	(57)
Tax – continuing operations	(483)	326
Tax – discontinued operations	—	(256)
Total tax	(483)	70
Tax on profit	(483)	70

13. Taxation (continued)

Factors affecting tax charge for the period:

The tax assessed for the period is lower (2016 – lower) than the standard rate of corporation tax in the UK of 20% (2016 – 20%).

The differences are explained below:

12 months ended 31 March 2017 £'000s	12 months ended 31 March 2016 £'000s
--	--

Tax reconciliation		
(Loss)/profit per accounts before taxation	(6,462)	12,890
Tax on (loss)/profit on ordinary activities at standard CT rate of 20% (2016 – 20%)	(1,292)	2,598
Expenses not deductible for tax purposes	189	207
Ineligible depreciation	520	—
Share option relief	(26)	(26)
Current year losses not recognised – deferred tax	204	77
Income not taxable	—	(2,502)
Adjustments in respect of change in deferred tax rate	28	(94)
Adjustments to tax in respect of prior years	(106)	66
Deferred tax relating to sale of Napier Brown	—	(256)
Total tax	(483)	70
Tax on continuing operations	(483)	326
Tax on discontinued operations	—	(256)
Tax charge for the period	(483)	70

Notes to the Financial Statements (continued)

Year ended 31 March 2017

14. 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 2017 £'000s Continuing operations	12 months ended 31 March 2016 £'000s Continuing operations
--	--

Earnings after tax attributable to ordinary shareholders (£'000s)	(5,979)	12,820
– Continuing operations	(5,979)	4,409
– Discontinued operations	—	8,411
Weighted average number of shares in issue ('000s)	70,272	69,818
– Continuing operations	(8.50)p	6.31p
– Discontinued operations	—	12.05p
Basic earnings per share	(8.50)p	18.36p

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 outstanding share options. The potential ordinary shares are considered antidilutive as they decrease the loss per share. Therefore diluted EPS is the same as basic.

14. Earnings per share (continued)

The weighted average number of shares in issue for the year was 70,272k, the number of options outstanding was 9,171k. If these were all exercised the cash raised would be equivalent to that which would be raised by issuing 4,235k shares at the average share price during the year. The difference between these figures is the weighted average number of dilutive potential ordinary shares of 74,507k.

31 March 2017 £'000s	31 March 2016 £'000s
----------------------------	----------------------------

Earnings after tax attributable to ordinary shareholders (£'000s)	(5,979)	12,820
– Continuing operations	(5,979)	4,409
– Discontinued operations	—	8,411
Weighted average number of shares in issue ('000s)	74,507	75,564
– Continuing operations	(8.02)p	5.83p
– Discontinued operations	—	11.13p
Diluted earnings per share	(8.02)p	16.96p

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 2017 £'000s	31 March 2016 £'000s
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Earnings after tax attributable to ordinary shareholders (£'000s)	(5,979)	12,820
– Continuing operations	(5,979)	4,409
– Discontinued operations	—	8,411
Add back significant items (note 6)	87	945
Add back fair value gain	—	(3,267)
Add back profit on Napier disposal	—	(9,145)
Add back tax on significant items	135	(113)
Adjusted earnings after tax attributable to ordinary shareholders (£'000s)	(5,757)	1,240
Weighted average number of shares in issue ('000s)	70,272	69,818
Basic earnings per share	(8.19)p	1.78p
Total potential weighted average number of shares in issue ('000s)	74,507	75,564
Basic diluted earnings per share	(8.19)p	1.64p

Notes to the Financial Statements (continued)

Year ended 31 March 2017

15. Goodwill

Group
£'000s

Cost	
Carried forward 31 March 2016	71,005
Impairment	(1,589)
Carried forward 31 March 2017	69,416

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:

An annual impairment review conducted in accordance with IAS38 'Intangible assets' and IAS36 'Impairment assets' resulted in an impairment of goodwill relating to RW Scott of £1.0 million and Garrett Ingredients of £0.6 million.

31 March
2017
£'000s

31 March
2016
£'000s

Garrett Ingredients	4,411	5,000
Renshaw	57,796	57,796
R&W Scott	—	1,000
Rainbow Dust Colours	6,223	6,223
Haydens Bakery – Chantilly Patisserie	986	986
Carried forward 31 March 2016	69,416	71,005

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, or '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.

15. 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 7% (2016 – 3%) which has been increased to 11% to take account of the increased risk of being listed on AIM rather than the main market. A period of 19 years has been applied to the projected cash flows, based on a 2% annual growth rate. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market. This is based on our base expectations for the trading period to 31 March 2018. The discounted cash flow forecasts include discounted disposal proceeds based upon 5 times the year 2018/19 forecast EBITDA.

An increase in the Group's weighted average cost of capital to above 11.5% (2016 – 12%) would cause the Board to impair the carrying value of goodwill of Renshaw. The Board have considered this but believe due to trading expectations and a strong brand the recoverable amount would support the value.

As a result of the impairment review goodwill for Garretts has been impaired by £0.6 million whilst goodwill of £1.0 million and tangible fixed assets amounting to £2.0 million have been impaired in respect of R&W Scott compared to the values which are shown in the table below:

	Book value of income generating unit £'000s	Estimated recoverable amount/value in use £'000s
Chantilly	1,077.0	2,883.00
Rainbow Dust Colours	6,684.0	10,748.0
Renshaw	65,604.0	68,169.0
Garretts	4,719.0	4,719.0
R&W Scott	4,095.5	4,095.5

Notes to the Financial Statements (continued)

Year ended 31 March 2017

16. Other intangible assets

	Customer Relationships £'000s	Computer Software £'000s	Development Costs	Group £'000s	Company £'000s
Cost					
At 1 April 2016	473	786	—	1,259	—
Additions	—	395	291	686	249
At 31 March 2017	473	1,181	291	1,945	249
Amortisation					
At 1 April 2016	55	370	—	425	—
Charge	209	127	29	365	22
At 31 March 2017	264	497	29	790	22
Net book value at 31 March 2017	209	684	262	1,155	227
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	—

Intangible assets all relate to intangible assets acquired from third parties other than development costs which are generated internally and capitalised in accordance with IAS 38.

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

17. 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 2016	9,477	27,088	342	36,907
Additions	313	6,800	3,707	10,820
Disposals	(8)	(471)	—	(479)
Reclassifications	43	299	(342)	—
At 31 March 2017	9,825	33,716	3,707	47,248
Depreciation				
At 1 April 2016	2,935	15,906	—	18,841
Disposals	(8)	(471)	—	(479)
Impairment Charge*	1,575	945	—	2,520
Charge	327	2,107	—	2,434
At 31 March 2017	4,829	18,487	—	23,316
Net book value at 31 March 2017	4,996	15,229	3,707	23,932
Cost				
At 1 April 2015	13,539	32,615	537	46,691
Acquired on acquisition of business	—	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
Continuing business	6,542	11,182	342	18,066

*An annual impairment review conducted in accordance with IAS36 'Impairment of assets' resulted in an impairment of fixed assets of £2.0m for R&W Scott. In addition an impairment review for assets at Head Office indicated an impairment of £0.5 million which has been made.

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

	31 March 2017 £'000s	31 March 2016 £'000s
Plant and equipment	4,990	353

£18.1 million (2016 – £nil) of property, plant and equipment has been pledged as security for borrowings; see note 22.

Notes to the Financial Statements (continued)

Year ended 31 March 2017

17. Property, plant and equipment (continued)

Company

	Land and Buildings £'000s	Plant and Equipment £'000s	Total £'000s
Cost			
At 1 April 2016	498	3,451	3,949
Additions	55	178	233
At 31 March 2017	553	3,629	4,182
Depreciation			
At 1 April 2016	—	745	745
Impairment Charge	—	520	520
Charge	11	537	548
At 31 March 2017	11	1,802	1,813
Net book value at 31 March 2017	542	1,827	2,369
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

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

	31 March 2017 £'000s	31 March 2016 £'000s
Plant and equipment	—	—

18. 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 £'000s	Haydens Bakery Limited £'000s	Eurofoods plc/ Coolfresh Limited £'000s	Real Good Food Europe SA £'000s	Total £'000s
At 31 March 2016	53,900	—	7,500	3,248	79	772	65,499
Impairment	—	—	(905)	—	—	—	(905)
At 31 March 2017	53,900	—	6,595	3,248	79	772	64,594

The aggregate of the share capital and reserves at 31 March 2017 and of the profit or loss for the year ended on that date are as follows:

Aggregate of Share Capital and Reserves £'000s	Profit/(loss) £'000s
---	-------------------------

Napier Brown Foods Limited	37,277	—
JF Renshaw Limited	63,909	4,343
Haydens Bakery Limited	1,020	(143)
Rainbow Dust Colours Limited	7,115	875
RGFC Dust Limited	(101)	—
Garrett Ingredients Limited	1,906	(734)
R&W Scott Limited	1,891	(2,702)
Real Good Food Europe SA	(663)	(618)

Notes to the Financial Statements (continued)

Year ended 31 March 2017

18. Investments (continued)

	Principal Activities	Description and Number of Shares Held	Proportion of Nominal Value of Shares Held
Haydens Bakeries Limited*	Dormant	4,052,659 Ordinary £1	100%
Eurofoods plc*	Dormant	260,000 Ordinary £1	100%
		50,000 Preference £1	
FSF Dormant Limited*	Dormant	11,112 Ordinary £1	100%
TD Dormant Limited*	Dormant	5,000 Ordinary £1	100%
Napier Brown Foods Limited*	Holding Company	28,248,096 Ordinary 50p	100%
Renshaw Us Incorporated	Cake Decoration Supplier	200 ordinary shares of 1\$	100%
JF Renshaw Limited	Cake Decoration 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	Food Ingredients 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*	Premium Bakery	1 Ordinary £1	100%
Real Good Food Europe SA	Cake Decoration Supplier	61,500 Ordinary €1	100%

* Held directly by Real Good Food plc. All entities have their registered office at International House, 1 St Katharines' Way London E1W 1XB.

Renshaw Europe SA registered office is Tollaon 71, 1932 Sint Steven, Woluwe, Belgium.

Renshaw USA Incorporated registered office is 400 Commons Way, Rockaway, New Jersey, USA

19. Deferred taxation liability/(asset)

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

	2017 Group £'000s	2017 Company £'000s	2016 Group £'000s	2016 Company £'000s
Opening position	369	(1,462)	671	(327)
Acquired on the acquisition	—	—	74	—
Income statement charge	(352)	362	(58)	38
Transfer on sale	—	—	(283)	—
Transfer on pension	—	—	—	(1,138)
Charge to equity/(credit)	(174)	(174)	(35)	(35)
Closing position	(157)	(1,274)	369	(1,462)
Shown as follows				
Liabilities	1,278	4	1,925	16
Assets	(1,435)	(1,278)	(1,556)	(1,478)
	(157)	(1,274)	369	(1,462)

19. 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 2016	—	(324)	(76)	(1,155)	(1,555)
Charge/(credit) to income	—	9	(101)	386	294
(Credit) to equity	—	177	—	(351)	(174)
At 31 March 2017	—	(138)	(177)	(1,120)	(1,435)
Within 12 months	—	—	—	—	—
Greater than 12 months	—	(138)	(177)	(1,120)	(1,435)

Deferred tax provisions

	Intangible Assets £'000s	Tangible Assets £'000s	Total £'000s
At 31 March 2016	1,136	789	1,925
Charged to income	69	(716)	(647)
At 31 March 2017	1,205	73	1,278

There were £3.7 million of unused tax losses on which deferred tax is not recognised due to uncertainty over when they could be utilised.

Notes to the Financial Statements (continued)

Year ended 31 March 2017

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

Company

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

	Provisions £'000s	Pension Scheme £'000s	Tangible Assets £'000s	Share Options £'000s	Total £'000s
At 31 March 2016	—	(1,155)	16	(323)	(1,462)
Charge/(credit) to income	(20)	386	—	8	374
Charge/(credit) to equity	—	(351)	(12)	177	(186)
At 31 March 2017	(20)	(1,120)	4	(138)	(1,274)
Within 12 months	—	—	—	—	—
Greater than 12 months	(20)	(1,120)	4	(138)	(1,274)

20. Inventories

	31 March 2017 Group £'000s	31 March 2017 Company £'000s	31 March 2016 Group £'000s	31 March 2016 Company £'000s
Materials	8,159	—	5,495	—
Work in progress	45	—	641	—
Finished goods	5,119	—	6,224	—
	13,323	—	12,360	—
Continuing business	13,323	—	12,360	—

Inventories totalling £13,323k (2016 – £12,360k) 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.

21. Trade and other receivables

	31 March 2017 Group £'000s	31 March 2017 Company £'000s	31 March 2016 Group £'000s	31 March 2016 Company £'000s
Current trade and other receivables				
Trade receivables	13,584	—	15,006	—
Less: provision for impairment of receivables	(68)	—	(204)	—
Net trade receivables	13,516	—	14,802	—
Other receivables	1,300	31	1,068	12
Amounts owed by Group undertakings	—	35,871	—	55,390
Prepayments	1,200	220	1,169	396
Total	16,016	36,122	17,039	55,798

Notes to the Financial Statements (continued)

Year ended 31 March 2017

21. Trade and other receivables (continued)

Provision for impairment of receivables

	31 March 2017 Group £'000s	31 March 2017 Company £'000s	31 March 2016 Group £'000s	31 March 2016 Company £'000s
--	-------------------------------------	---------------------------------------	-------------------------------------	---------------------------------------

At 31 March 2016	(204)	—	(111)	—
Charge for period (Note 8)	92	—	(165)	—
Uncollectable amounts written off	44	—	72	—
At 31 March 2017	(68)	—	(204)	—

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

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. 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 credit of £92k (2016 – charge of £165k) 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, in line with last year, driven by continued tight credit control programme. The ageing analysis of these receivables is as follows:

	31 March 2017 Group £'000s	31 March 2016 Group £'000s
--	-------------------------------------	-------------------------------------

Up to 30 days past due	1,846	740
One to three months past due	126	1,040
Over three months past due	122	378
	2,094	2,158

22. Borrowings and capital management

	31 March 2017 Group £'000s	31 March 2017 Company £'000s	31 March 2016 Group £'000s	31 March 2016 Company £'000s
Secured borrowings at amortised cost				
Bank term loans	2,500	2,500	3,200	—
Revolving credit facilities	9,333	—	3,705	—
Hire purchase	4,243	—	158	—
	16,076	2,500	7,063	—
Amounts due for settlement within 12 months	11,375	1,000	7,008	—
Amounts due for settlement after 12 months	4,701	1,500	55	—
	16,076	2,500	7,063	—

Features of the Group's borrowings are as follows:

The Group's financial instruments comprised cash, a term loan, hire purchase and finance leases, a revolving credit facility, an overdraft and various items arising directly from its operations such as trade payables and receivables. The main purpose of these financial instruments is to finance the Group's operations.

The main risks from the Group's financial instruments are interest rate risk and liquidity risk. The Group also has some currency exposure in relation to its Euro and US Dollar commodity purchases. However, this is mitigated by matching in part 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.

During the year ended 31 March 2017 the Group successfully negotiated extended borrowing facilities with Lloyds Bank plc. The Group entered into an invoice finance facility of £20 million on a revolving basis with a minimum term of 12 months and a three-month notice period. This facility is secured against the debtors across the whole of the Group's UK businesses, and comprise a sterling, euro and US dollar facility with an interest rate of 1.5% above base rate.

Notes to the Financial Statements (continued)

Year ended 31 March 2017

22. Borrowings and capital management (continued)

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 three 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 five 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 Group also entered into a £6.2 million facility to be secured against new items of plant and machinery with ABN Ambro Lease nv bank. This facility is for 5 years and interest is payable at 4%.

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.

Post Year End Borrowings

Post Year end £16.75 million has been secured from existing major shareholders.

- £4.0 million secured one year term loan facilities from existing shareholders of the Company, (Napier Brown Holdings Limited and Omnicane Limited)
- Lloyds bank agreed to provide the company with an overdraft facility of up to £2.0 million with two major shareholders (Napier Brown and Omnicane Limited) each putting £1.0 million into an account as security. The shareholder loans have an interest rate of 6.5% per annum.
- £4.0 million additional short term debt facilities were secured (Omnicane International Investors Limited, NB Ingredients Ltd and Downing LLP). Each of the three shareholders participated equally. The Facility and the Loan Notes are secured on unencumbered chattel assets of the Company with a 10% coupon. A premium of 10% payable on redemption if not repaid on or before 30 September 2018.
- A new injection of capital was raised by way of the issue of a secured loan note instrument of up to £8.75 million from funds managed and controlled by Downing LLP. The Loan Notes are redeemable in full after three years.

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 Group's approach to capital management 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.

22. Borrowings and capital management (continued)

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

	Less than 1 month £'000s	1-3 months £'000s	3 months to 1 year £'000s	1-5 years £'000s	5+ years £'000s	Total £'000s
2017						
Trade and other payables	11,022	3,101	1,120	—	—	15,243
Bank term loans	—	250	750	1,500	—	2,500
Revolving credit facilities	—	—	9,333	—	—	9,333
Finance leases	87	260	695	3,201	—	4,243
	11,109	3,611	11,898	4,701	—	31,319
Interest	7	43	295	318	—	633
Total	11,116	3,654	12,193	5,019	—	31,952

	Less than 1 month £'000s	1-3 months £'000s	3 months to 1 year £'000s	1-5 years £'000s	5+ years £'000s	Total £'000s
2016						
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

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 2017

22. Borrowings and capital management (continued)

Analysis of market risk sensitivity

Currency risks:

The Group is exposed to currency risks on purchases of commodities made from USA and Europe. The risk associated with these purchases is mitigated by sales also made to customers in these countries, however to the extent that these do not cover each other there is a risk of exposure to the Group.

The effect of the exposure is calculated as being:

- With an excess of \$ debtors to \$ suppliers then a 10 cent strengthening of the US dollar would result in an increase in pre tax profits of £212k.
- With an excess of € suppliers to € debtors then a 10 cent strengthening of the Euro would result in an increase in pre tax profits of £212k.

The Group also buys sugar in Euros and sells this sugar on fixed sterling contracts with customers through its Ingredients division. To reduce the currency risk on these forward currency purchase contracts are entered into. These forward contracts have been fair valued at the year end and this has resulted in a £146k loss being taken against this year's results.

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 £118k.

Obligation under finance leases

	31 March 2017 £'000s	31 March 2016 £'000s
Finance lease liabilities – minimum lease payments		
Due within one year	1,042	103
Due within one to five years	3,201	55
	4,243	158
Future finance charges on finance leases	(365)	(11)
Present value of finance lease liabilities	3,878	147
The present value of finance lease liabilities is as follows:		
Due within one year	1,010	98
Due within one to five years	2,868	49
	3,878	147

It is the Group's policy to lease certain property, plant and equipment under finance leases. For the period ended 31 March 2017 the average effective borrowing rate was 4.0% (2016 – 4.0%). Interest rates are fixed at the contract dates. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling.

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

23. Trade and other payables

	31 March 2017 Group £'000s	31 March 2017 Company £'000s	31 March 2016 Group £'000s	31 March 2016 Company £'000s
Amounts due within one year				
Trade payables	10,634	238	8,324	236
Social security	913	99	654	89
Amounts owed to Group undertakings	—	39,896	—	55,593
Accruals	3,336	1,594	3,600	459
Other payables	360	—	665	—
	15,243	41,827	13,243	56,377

Trade payables and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

Notes to the Financial Statements (continued)

Year ended 31 March 2017

24. 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	
2017 £'000s	2016 £'000s	2017 £'000s	2016 £'000s

Loans and receivables at amortised cost				
Cash and cash equivalents	464	2,946	—	—
Loans and receivables	13,516	14,802	—	—
Financial liabilities at amortised cost				
Liabilities at amortised cost	26,710	15,387	210	949
	26,710	15,387	210	949
Financial liabilities at fair value through profit and loss				
Forward foreign exchange contracts	146	—	—	—
	146	—	—	—
Amounts due for settlement				
Within 12 months	22,155	15,332	210	949
After 12 months	4,701	55	—	—
	26,856	15,387	210	949

Loans and receivables

The Group's policies on managing credit risk are set out in note 21 of these financial statements. The carrying amount of financial assets represents the maximum credit exposure. The Group has taken out insurance to cover the credit risk, see note 21.

During the year the group took out forward foreign currency contracts to mitigate against foreign exchange risk.

In accordance with IFRS 13 the above financial instrument has been assigned a hierarchy level. IFRS 13 categorises the inputs into valuation of a financial instrument held at fair value into three levels. The highest priority is given to quoted prices (level 1 inputs) and the lowest priority to unobservable inputs (level 3). The inputs into the valuation of the above are considered to be level 2. Observable inputs include the forward rate at the date the contract was taken out and the forward rate at the end of the year. There are no unobservable inputs. The contracts are not discounted as the impact is not considered to be material given the timeframes over which the contracts are settled.

The total exposure under forward contracts at the year end was €4 million. The movement in fair value of £0.146 million has been recognised in the Statement of Comprehensive Income for the year.

25. Share capital

	Number of Shares 2017	Number of Shares 2016	31 March 2017 £'000s	31 March 2016 £'000s
Allotted, called up and fully paid equity share capital				
At 31 March 2016	70,066,903	69,588,400	1,402	1,392
Issued in the year	496,598	478,503	9	10
At 31 March 2017	70,563,501	70,066,903	1,411	1,402

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 9,171,350 shares reserved for issue under options, with expiry dates beyond 2017, outstanding at the end of the year.

26. 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.

Foreign exchange translation reserve: The Foreign exchange reserve represents the difference generated when converting profit and loss results at average rates and balance sheets at year end closing rates.

27. Equity-settled share option scheme

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

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

	31 March 2017 Number of Share Options	31 March 2017 Weighted Average Exercise Price (£)	31 March 2016 Number of Share Options	31 March 2016 Weighted Average Exercise Price (£)
Outstanding at the beginning of the period	9,969,454	0.20	9,588,025	0.18
Granted during the year	—	—	1,164,932	0.43
Exercised during the year	(496,598)	(0.05)	(478,503)	(0.23)
Forfeited during the year	(301,506)	(0.46)	(305,000)	(0.46)
Outstanding at the end of the period	9,171,350	0.20	9,969,454	0.20
Exercisable at the end of the period*	5,899,624	0.17	4,786,797	0.11

* 3,817,726 options to P. Totte not exercisable until share price exceeds £1.00.

Notes to the Financial Statements (continued)

Year ended 31 March 2017

27. Equity-settled share option scheme (continued)

A breakdown of the range of exercise prices for options outstanding as at 31 March 2017 is shown in the table below:

	2017			2016		
	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	9,171,350	1	20.65	9,969,454	1	19.84

No 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.

28. 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 2017 £'000s	31 March 2016 £'000s
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Due within one year	757	1,264
Due between one and five years	1,222	374

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 15 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

2017 £'000s	2016 £'000s
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Commitments for the acquisition of property, plant and equipment	5,954	930
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Notes to the Financial Statements (continued)

Year ended 31 March 2017

29. Related party transactions

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

	Director	31 March 2017 £'000s	31 March 2016 (Restated) £'000s
Osmond Consultancy Limited	P Totté	220	110
P Totté	P Totté	10	—
Menton Investments	P Totté	5	—
Universal Sucrose Services Limited	P Totté	—	1,100
Nuevocoloro SL	P Totté	—	109
P G Ridgwell	P G Ridgwell	55	55
The Salter Consultancy LLP	P Salter	94*	124*
		384	1,498

* Includes expenses of £11k in FY2017 and £15k in FY2016.

In the previous year P Totté received payments totalling £1,319,000 and P Salter received payments of £15,000, which were included in the financial statements but not disclosed to the auditors or disclosed within the financial statements.

A loan of £39k was also provided to P Totté in the year to March 2016 which was subsequently repaid in June 2017.

29. Related party transactions (continued)

Transactions between the Company and its subsidiaries are as follows:

Provision of services to related parties

31 March 2017 £'000s	31 March 2016 £'000s
----------------------------	----------------------------

JF Renshaw Limited	720	555
Haydens Bakery Limited	360	350
Rainbow Dust Colours Limited	60	—
R&W Scott Limited	240	120
Garrett Ingredients Limited	120	50
	1,500	1,075

Amounts due to subsidiaries

31 March 2017 £'000s	31 March 2016 £'000s
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JF Renshaw Limited	58,352	51,240
Rainbow Dust Colours Limited	5,768	4,576

JF Renshaw Limited is a related party because it is a 100% owned subsidiary of Napier Brown Foods Limited which is a 100% owned subsidiary of Real Good Food plc.

Amounts due from subsidiaries

31 March 2017 £'000s	31 March 2016 £'000s
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Renshaw Europe SA	1,082	121
Haydens Bakery Limited	4,612	4,489
Renshaw USA Incorporated	723	—
Napier Brown Foods Limited	45,801	45,801
RGFC Dust Limited	8,255	5,055
R&W Scott Limited	809	1,503
Garrett Ingredients Limited	204	152

Notes to the Financial Statements (continued)

Year ended 31 March 2017

30. 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 11 years 8 months, increasing at 4% per annum. 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 2015 actuarial valuation has been approximately updated to reflect liabilities on the accounting basis at 31 March 2017. This has resulted in a deficit in the scheme of £5,894,000.

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 2017 £'000s	31 March 2016 £'000s	31 March 2015 £'000s	31 March 2014 £'000s	31 December 2013 £'000s
Present value of defined benefit obligation	19,840	21,094	21,799	19,033	19,153
Fair value of plan assets	(13,946)	(15,013)	(16,111)	(15,360)	(15,613)
Deficit/(surplus) in plan	5,894	6,081	5,688	3,673	3,540
Amount not recognised in accordance with IAS 19	—	—	—	—	—
Gross amount recognised	5,894	6,081	5,688	3,673	3,540
Deferred tax at 19% (2014 – 20%)	(1,120)	(1,155)	(1,138)	(735)	(814)
Net liability	4,774	4,926	4,550	2,938	2,726

30. Pensions arrangements (continued)

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

	31 March 2017 £'000s	31 March 2016 £'000s
Defined benefit obligation at start of period	21,094	21,799
Interest cost	754	738
Actuarial losses	2,499	(638)
Settlements	(2,060)	—
Past service gain	(1,584)	—
Benefits paid, death in service insurance premiums, expenses and past service costs	(863)	(805)
Defined benefit obligation at end of period	19,840	21,094

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

	12 months ended 31 March 2017 £'000s	12 months ended 31 March 2016 £'000s
Fair value of scheme assets at start of the period	15,013	16,111
Interest income on scheme assets	538	547
Actuarial (losses)/gains	652	(1,122)
Contributions paid by the Group	920	282
Settlements	(2,314)	—
Benefits paid, death in service insurance premiums and expenses	(863)	(805)
Fair value of scheme assets at end of the period	13,946	15,013

The actual return on the scheme assets over the period ended 31 March 2017 was £1,190k (2016 – £(575)k).

Notes to the Financial Statements (continued)

Year ended 31 March 2017

30. Pensions arrangements (continued)

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

	31 March 2017 £'000s	31 March 2016 £'000s
Interest on liabilities	754	738
Interest on assets	(538)	(547)
Net interest	216	191
Past service cost	—	—
Total income	216	191

Statement of recognised income and expenses

	31 March 2017 £'000s	31 March 2016 £'000s
Actuarial (losses)/gain	652	(1,122)
Experience gains and losses arising on the scheme liabilities: loss	(103)	—
Actuarial gains/(losses) arising from changes in demographic assumptions	228	(42)
Actuarial gains/(losses) arising from changes in financial assumptions	(2,624)	680
Total amount recognised in Statement of Other Comprehensive Income	(1,847)	(484)

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

	31 March 2017 £'000s	31 March 2016 £'000s	31 March 2015 £'000s
UK equity	1,907	1,608	1,759
Overseas equity	4,120	4,462	4,634
Absolute return fund	3,732	3,826	4,126
Bonds	1,139	1,020	933
Gilts	1,646	2,104	1,382
Property	152	72	354
Cash	284	473	1,444
Alternative assets	2,671	1,448	1,479
Current assets	610	—	—
Current liabilities	(2,315)	—	—
Total assets	13,946	15,013	16,111

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.

Notes to the Financial Statements (continued)

Year ended 31 March 2017

30. Pensions arrangements (continued)

Assumptions

	31 March 2017 % per annum	31 March 2016 % per annum	31 March 2015 % per annum	31 March 2014 % per annum
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Inflation	3.20	2.80	2.90	3.30
Salary increases	—	—	—	—
Rate of discount	2.85	3.65	3.45	4.65
Allowance for pension in payment increases	3.10	2.70	2.80	3.20
Allowance for revaluation of deferred pensions	2.20	1.80	1.90	2.20
Allowance for commutation of pension for cash at retirement	90% of max allowance	90% of max allowance	90% of max allowance	75% of max allowance

	Change in assumption	Change in liability
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Assumption		
Discount rate	Increase/decrease of 0.5% p.a.	Decrease by 7%
Rate of inflation	Increase/decrease of 0.5% p.a.	Increase by 2%
Rate of mortality	1 year increase in life expectancy	Increase by 5%

The mortality assumptions adopted at 31 March 2017 imply the following life expectancies:

Male retiring at age 65 in 2017	22 years
Female retiring at age 65 in 2017	24 years
Male retiring at age 65 in 2037	23 years
Female retiring at age 65 in 2037	25 years

30. 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 2017 £'000s	31 March 2016 £'000s	31 March 2015 £'000s	31 March 2014 £'000s	31 March 2013 £'000s
Fair value of assets	13,946	15,013	16,111	15,360	15,613
Defined benefit obligation	(19,840)	(21,094)	(21,799)	(19,033)	(19,153)
Surplus/(deficit) in scheme	(5,894)	(6,081)	(5,688)	(3,673)	(3,540)
Experience adjustment on scheme assets	652	(1,122)	885	(382)	208
Experience adjustment on scheme liabilities	(103)	—	—	—	(1,923)

31. Discontinued Operations

As disclosed in the year end March 2016 accounts the Group disposed of its Napier Brown Sugar Limited 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 2017 £'000s	Year end 31 March 2016 £'000s
Revenue	—	13,237
Cost of sales	—	(11,884)
Gross margin	—	1,353
Distribution	—	(1,149)
Administration	—	(288)
Operating loss	—	(84)

Notes to the Financial Statements (continued)

Year ended 31 March 2017

31. Discontinued Operations (continued)

	March 2017 Total £'000s	March 2016 Total £'000s
Calculation of profit on disposal		
Disposal proceeds	—	44,408
Assets disposed of		
Goodwill	—	(12,000)
Property, plant and equipment	—	(8,211)
Net working capital	—	(10,706)
Disposal costs		
Legal and consultancy fees	—	(2,024)
Other costs arising directly from the sale of the business	—	(2,322)
Profit on disposal	—	9,145

32. Acquisitions

Real Good Food plc (AIM: RGD) and Tywyn based Brighter Foods announced on 5 April 2017 a new partnership to build on the success of the Wales based food manufacturing company, with Robin Williams remaining as CEO. Real Good Food plc acquired an 84.33% interest in Brighter Foods for total consideration of up to £9 million, on a cash and debt free basis, to be paid in two equal instalments, 50% on completion and 50% upon finalisation of the Company's 2017/18 audited accounts. The consideration will be satisfied from the Group's existing debt facilities. The acquisition is expected to be immediately earnings enhancing to the Group.

32. Acquisitions (continued)

£

Non Current Assets	
Intangible Assets	28,712
Tangible Assets	1,874,998
Investments	81,667
	1,985,377
Current Assets	
Inventories	762,877
Trade and other receivables	990,221
Cash at Bank	1,734,792
	3,487,890
Current liabilities	
Trade and other payables	(3,178,554)
Income Tax	(252,157)
Amounts falling due after one year	(335,517)
Provision of Liabilities	(167,411)
	1,539,628
Net Current Assets	
Purchase Price	
Paid April 2017	4,520,088
Due to be paid on completion of 17/18 accounts	4,520,088
Total paid or payable	9,040,176
Balance as Goodwill	(7,500,548)

The Group consider that the value of assets and liabilities is equal to the fair value of these items and that all receivables are fully recoverable.

Senior management of Brighter Foods has retained 15.67% stake in the business. The value of this non controlling stake on completion was £682k.

The Group has also entered into a separate shareholder agreement regarding the Management Stake whereby the senior management of Brighter Foods can elect to sell 50 per cent of the Management Stake to the Group after March 2020 and 50 per cent after March 2021. The consideration for the entire Management Stake will be based upon an agreed valuation formula, linked to profit before interest and tax of Brighter Foods in the years ending 31 March 2020 and 31 March 2021 respectively, and is capped at £8 million in aggregate. Additionally the Group can elect to acquire the Management Stake after March 2021 based upon the same valuation formula. For the 12 months to 31 March 2016, Brighter Foods reported profit before tax of £2.3 million and net assets of £2.7 million as at 31 March 2016.

The deferred consideration is payable after 12 months of trading and will be in range of £Nil to £4.5 million and is based on performance of the company. Costs incurred in acquiring this company amount to £361k, of which £151k has been included in these accounts as part of significant items (note 6).

Notes to the Financial Statements (continued)

Year ended 31 March 2017

33. Post Year End Equity

EQUITY

Downing agreed to subscribe for 7,844,924 new ordinary shares of 2 pence each in the Company (the “New Shares”) at 35 pence each (the “Placing Price”) to raise gross proceeds of approximately £2.75 million representing 10% of the Company’s overall issued share capital.

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H Rai

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