The Real Good Food Company plc

FOCUSED ON ACHIEVING GROWTH FOR ALL OUR STAKEHOLDERS

REPORT AND FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

OUR FOCUS IN 2008

IN 2008 WE WILL CONCENTRATE ON DEVELOPING OUR ASSETS TO TAKE ADVANTAGE OF THE SIGNIFICANT COMMERCIAL OPPORTUNITIES THAT WILL ARISE IN THE MEDIUM TERM

Contents

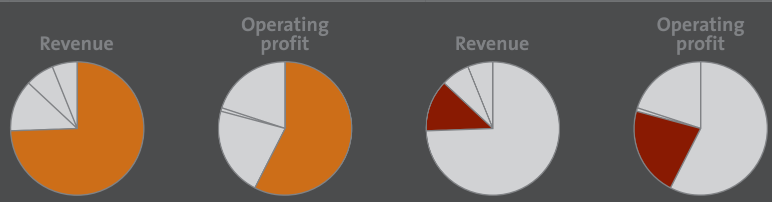
HIGHLIGHTS

- Group sales from continuing operations increased to £231.1m (2006: £221.7m)
- Total Group operating profit before taxation and significant items of £9.6m (2006: £13.3m)
- The sale of Five Star Fish was completed for a total consideration of £35.8m
- Continuing operations (before significant items) basic and diluted profit per share 4.5p (2006: 6.4p)
- Net debt levels have reduced to £25.9m (2006: £57.0m)

DIVISIONAL HIGHLIGHTS AND KEY ACTIVITIES

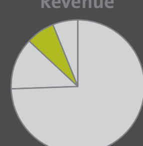
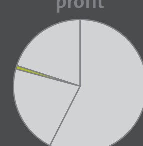
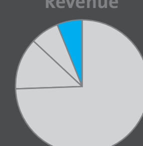
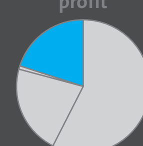
Division	SUGAR	BAKERY INGREDIENTS
Operating companies	> Napier Brown Foods > Garretts	> Renshaw > Sefcol
Key highlights	> Strong first half sales > Continuing investment in business > Well placed to take advantage of reform	> Recipes converted to non-hydrogenated variants > Recovery of raw material cost increase underway > Building blocks in place for widening of customer base
Total revenue	£190.1m	£31.9m
Operating profit	£6.4m	£2.4m
Key products	Packet/bagged/bulk sugar Dairy products Bakery mixes	Marzipan Sugarpaste Caramel Chocolate flavoured coatings Diabetic jam

Percentage of Group



	SUGAR	BAKERY INGREDIENTS
Retail customers	Tesco Morrisons Budgens	Supercook Sainsbury's Tesco Asda Morrisons
Food service customers	Bako Palmer & Harvey	3663 Brakes
Industrial customers	Northern Foods Jordans Nestle Premier Foods	Bako BFP Finsbury Foods Premier Foods Greencore

Division	BAKERY	FISH
Operating companies	> Hayden's Bakeries > Seriously Scrumptious	> Five Star Fish
Key highlights	> Five years of revenue growth > Continuing strong growth with major customers > Further investment in capacity	> Division sold for £35.8m in June 2007
Total revenue	£18.2m	£15.0m
Operating profit	£0.1m	£2.2m
Key products	Danish Chilled desserts Hot eating desserts Doughnuts Muffins Croissants	Breaded, battered and dusted cod, haddock, plaice and pollack
Percentage of Group	Revenue  Operating profit 	Revenue  Operating profit 
Retail customers	Waitrose M&S	
Food service customers		Brakes M&J Seafood 3663 Punch
Industrial customers		

CHAIRMAN'S STATEMENT

THE PAST YEAR HAS BEEN AN ACTIVE ONE FOR THE GROUP AND A PERIOD WHICH HAS SEEN MUCH CHANGE. FIVE STAR FISH WAS SOLD IN JUNE FOR £35.8 MILLION WHILST A GREAT DEAL OF MANAGEMENT TIME AND SOME MODEST CASH INVESTMENT HAS BEEN MADE TO IMPROVE THE OPERATIONAL PERFORMANCE AND COMPETITIVE PROFILE OF OUR CONTINUING BUSINESSES.

Pieter Totté

Introduction and overview

The Group generated revenues of £246.1m (2006 – £250.8m) whilst operating profit, before significant items, for the year amounted to £9.6m (2006 – £13.3m) following the disposal of Five Star Fish. As always, there was pressure from competitors seeking additional market share and from customers seeking competitive prices. In addition, 2007 saw some major increases in the price of energy and commodities, both of which present challenges for the supply chains in which all of our divisions operate. However, we have continued to operate profitably and to produce positive operational cash flows.

In July the Board appointed Stephen Heslop to be the Group's Managing Director, in succession to John Gibson, with day to day responsibility transferring in late September. Stephen has initiated a strategic review of the business, and this is expected to bring about further changes to the Group's operational activities, strategic focus and business culture.

The Real Good Food Company plc was established with an entrepreneurial spirit at its heart, alongside a solid understanding of commercial realities. These values still hold true today. However, as time passes, our Group and its markets have changed. Five Star Fish, for example, had grown and matured to a size and scale where the Board was finding it increasingly difficult to find the next significant strategic step for its development. At the same time, the regulatory environment and structures of the European fish market were shifting, which was introducing uncertainty as to the future. Hence, a decision was taken to sell the business at a book profit. Whilst this has led to a significant reduction in terms of the Group's operating profitability, our net debt has been materially reduced, our corresponding interest bill has fallen, while our level of gearing is now less than 40%.

Looking at the structure of the Group today, it is clear that, in terms of both revenue and profits, our Sugar Division has now become even more dominant. When we purchased Napier Brown & Company in 2005 we were aware both that the structure of the Group's composition would be changed and also that regulatory change was underway in the European sugar market.

After a slow initial response on the part of European sugar producers to provide voluntary cuts in production quotas, the EU Commission considerably revamped its restructuring scheme and has subsequently been able to announce that an additional 2.5m tonnes of sugar quota has been relinquished from 2008–09. This brings the total of sugar quota permanently renounced so far, to close to 4.5m tonnes of the Commission's initial target of 6.0m tonnes.

The Commission, whilst being delighted by the recent cutbacks, has taken the opportunity to remind European sugar producers that the market is still over 1.0m tonnes short of the target reduction and an announcement regarding further renouncements made by 31 March 2008 is expected from the Commission soon. Should there be no further quota renunciation, then the Commission has announced in a revised timetable that in February 2010 a unilateral permanent quota without compensation will be introduced across all member states to make up any outstanding shortfall.

Therefore, there appears to be some ground for optimism that the structural surplus, that has been overhanging the market in recent years, is diminishing. With demand for sugar in the EU expected to remain stable at approximately 16.0m tonnes, the end of the restructuring period (Q4 2010), should see some 3.5 to 4.0m tonnes of cane sugar begin to be imported into the EU, either for refining or for direct consumption.

Unless preferential suppliers in the Least Developed Countries (LDC) and African, Caribbean and Pacific Countries (ACP), can significantly increase their output of refined sugar, it seems likely that more refining capacity will be required in the EU, and to that end, in the past year industry plans to build two new cane refineries have been announced with a combined capacity of 700,000 tonnes. A number of beet processors have also indicated that they will be processing cane sugar through their beet plants during the closed season.

The Group's Sugar Division is the UK's third largest trader in sugars and operates within many niche areas. It is with this in mind that we are already seeking to position the Group to its best advantage so as to maximise the opportunities arising from the market's structural changes.

The Board therefore expects that, during the next 18 months, the Group will announce further important initiatives, which will help position the Division to take full advantage of future opportunities. Achieving success in this activity is the most important task confronting the Board in 2008 and beyond.

Outlook

The current year has started with all of the Group's Divisions trading in line with the revised budget expectations produced at the end of 2007. Market challenges remain heightened by uncertainties in commodity, credit and consumer markets. The management's focus will remain on improved operational efficiency, inventory management, customer service, product innovation and tight cash management. For the full year the Board expects the Group to report stable profit before tax from continuing operations as raw material cost pressures are mitigated by the benefits accrued from the efficiency improvement and cost recovery programmes initiated in 2007.

P W Totté
Chairman
April 2008

REVENUE[1] £'000s

2005	61,942
2006	180,053
2007	190,084

OPERATING PROFIT[2] £'000s

2005	4,494
2006	7,368
2007	6,390

DIVISIONAL REVIEW
SUGAR

WE ARE SUCCEEDING IN PROVIDING OUR CUSTOMERS WITH

HIGH QUALITY

PRODUCTS FROM A RANGE OF SOURCES

> NAPIER BROWN & COMPANY LTD IS THE LARGEST INDEPENDENT, NON-REFINING DISTRIBUTOR OF SUGAR IN THE UK. IT PROVIDES A COMPREHENSIVE SERVICE TO CUSTOMERS THROUGHOUT THE INDUSTRIAL, RETAIL AND FOOD SERVICE SECTORS OF THE FOOD INDUSTRY AND SUPPLIES A RANGE OF SUGARS IN PACKETS, BULK BAGS AND CONTAINERS.

> NAPIER BROWN SOURCES SUGAR FROM THE UK, EU AND OTHER COUNTRIES THROUGHOUT THE WORLD. NAPIER BROWN'S ABILITY TO MEET THE REQUIREMENTS OF ITS CUSTOMERS, IN TERMS OF BOTH PRODUCT OFFERING AND QUALITY SERVICE, IS KEY TO ITS SUCCESS, WHETHER THE DEMAND IS FOR CANE OR BEET, WHITE OR BROWN, RAW, GRANULATED, SPECIALITY OR ORGANIC SUGARS.

Napier Brown Foods supplies a range of sugar and dry ingredients to food manufacturers and packs sugar for retail grocery and food service customers from its facilities at Normanton, near Leeds.

Overall revenues were ahead of last year by almost 6%, although behind our original expectations due to a more competitive market in the second half of the year.

Revenue growth was principally driven by strong retail volumes and higher industrial sales in the first half of the year. As a consequence of less favourable market conditions in the second half, the volume gains from the early part of the year were not repeated.

Operating efficiencies in the factory continued to improve throughout the year resulting in an improved overhead position. Work continues with further commissioning of another high speed packing line which will create additional capacity and operational benefits.

During the year we were able to extend our sourcing arrangements for special sugars as we continued to offer the broadest range of materials. Distribution costs during the year were adversely affected by a number of factors, the key drivers being increased fuel costs, international freight and longer journeys in relation to local sourcing arrangements.

A number of management changes are currently underway to further strengthen the team going forward.

[1] Including inter-company trading.
[2] Normalised operating profit before significant items and central costs.

REVENUE[1] £'000s

2005	15,703
2006	33,183
2007	31,920

OPERATING PROFIT[2] £'000s

2005	1,639
2006	3,092
2007	2,350

DIVISIONAL REVIEW
BAKERY INGREDIENTS

WE ARE SEEN AS A

LEADING INGRE

SUPPLIER PRIMARILY
TO THE BAKERY SECTOR

> RENSHAW IS A LEADING MANUFACTURER OF MARZIPANS, READY TO ROLL ICINGS, BAKING CHOCOLATE, JAM, SUGARPASTE AND CARAMEL; AND WITH A 200-YEAR HERITAGE IT REMAINS THE PROFESSIONAL'S CHOICE FOR PRODUCING HIGH-QUALITY BAKING PRODUCTS.

> RENSHAW IS CONTINUOUSLY SEARCHING FOR, AND PRODUCING, INNOVATIVE INGREDIENTS AND FINISHED PRODUCTS FOR THE BAKERY SECTOR; SUPPLYING MAJOR CAKE MANUFACTURERS, HIGH STREET BAKERS AND RETAILERS FROM ITS FACTORIES IN LIVERPOOL AND CARLUKE.

DIENTS

Renshaw supplies a range of high-quality food ingredients primarily to the bakery sector, comprising craft bakers and major cake manufacturers, and also to grocery retailers. It operates two facilities, one in Liverpool and the other in Carluke, south-east of Glasgow.

Revenues in the year were in line on a like for like basis, having been adjusted for the discontinued nut activity and £395,000 of non-recurring income in relation to a supply agreement. Gross margins were steady despite significant raw material price inflation as operational performance improved during the year. Overheads increased year on year reflecting the full year effect of the new management team, technical support and additional marketing support in our core areas. Reflecting consumer trends, the business has developed our full range of products in non-hydrogenated variants.

Plans to further advance performance are now established and we are well positioned to maximise new business opportunities, which include a new range of syrups for consumption in coffee shops and new business lines being developed with Marks & Spencer.

[1] Including inter-company trading.
[2] Normalised operating profit before significant items and central costs.

DIVISIONAL REVIEW
BAKERY

REVENUE[1] £'000s

2004	14,788
2005	16,196
2006	17,174
2007	18,217

OPERATING PROFIT[2] £'000s

2004	(388)
2005	388
2006	68
2007	71

WE ARE CONTINUING TO
INVEST FOR THE FUTURE
TO SUPPLY OUR KEY CUSTOMERS' GROWTH PLANS

> HAYDEN'S BAKERIES SUPPLIES AND PRODUCES HIGH VALUE BAKERY PRODUCTS AND DESSERTS, WITH STRONG PRODUCTION SKILLS IN HAND FINISHING AND LAMINATED YEASTED DOUGH PRODUCTS UTILISING QUALITY FRESH FRUIT.

> THE EXTENSIVE RANGE OF PRODUCTS INCLUDING DANISHES, DOUGHNUTS, CROISSANTS, MUFFINS AND LUXURY DESSERTS, PRODUCED AT THE COMPANY'S PREMISES IN WILTSHIRE, CAN BE FOUND ON THE COUNTERS OF SOME OF THE COUNTRY'S LEADING RETAILERS.

Hayden's Bakeries produces chilled and ambient premium patisserie and dessert products to retail grocery customers. It operates from a site in Devizes, Wiltshire.

The business continued to see strong revenue growth in the year of 6% driven by good progress in the chilled desserts sector. Overall gross margins were diluted as a consequence of higher raw material costs and the introduction of revised trading terms in the first quarter. Overheads were in line with the previous year and as a result of these factors profitability remained flat in the period.

The second frying line was successfully commissioned in the late summer which has allowed us to reduce premium working in this area. Following the business review, announced in the Group's pre-close statement in December, a number of initiatives to improve factory efficiency and reduce costs have been identified; these will be progressed and are expected to improve gross margins in the second half of 2008.

[1] Including inter-company trading.
[2] Normalised operating profit before significant items and central costs.

Lee Camfield

FINANCE DIRECTOR'S REPORT

Revenue

Group revenue from continuing operations was up 4.2% to £231.1m, primarily reflecting, as already reported, increased industrial revenue within our Sugar Division, where revenue was 5.6% ahead of the prior year.

Revenue within our Bakery Ingredients Division was 3.8% behind 2006, although once adjusted for discontinued nut activity and a non-recurring revenue item, relating to our supply agreement in 2006, revenue was in line with the prior year.

At our Bakery Division revenue increased by 6.1%, a fourth successive year of growth driven by organic growth with our primary customers and a number of new product launches.

Margins

Continuing operations gross profit margins of 12.8% (2006 – 13.1%) largely reflect increased sales of low margin business within our Sugar Division and delays in recovering raw material cost inflation from our customer base within our Bakery Ingredients and Bakery Divisions.

Profit before tax

Group operating margins for continuing operations (before significant items) reduced by one percentage point to 3.2%, driven by the lower margin business; increased distribution costs reflecting fuel increases and longer journeys; and investment within the Bakery Ingredients Division in the management team, marketing support and technical teams. Resultant profit before tax was £4.0m (2006 – £5.6m).

Discontinued operations

In the early part of 2007 the Group agreed to sell the trade and assets of its Fish Division, Five Star Fish, for a gross consideration of £35.0m, subsequently increased to £35.8m upon finalisation of the completion balance sheet. Tax charges arising as a result of the disposal amount to £6.2m.

The Division achieved £2.1m operating profit before tax, whilst the sale generated a profit on disposal of £1.9m after tax.

Significant items

During the year the Group incurred continuing operations significant items charges of £0.5m. These largely relate to payments to the Group's former Group Managing Director for his loss of office and further restructuring charges relating to the re-organisation of the divisional executive teams.

As already mentioned the Group disposed of its Fish Division, Five Star Fish, during the first half of the year. The profit on disposal was:

	£ms
Disposal proceeds	35.8
Net assets sold	(10.5)
Goodwill sold	(15.5)
Costs	(1.7)
Pre tax profit on disposal	**8.1**
Tax on disposal	(6.2)
Net profit on disposal	**1.9**

Cash flow and debt

Net debt at the year end was £25.9m, a reduction of £31.2m from the position at the end of 2006. The majority of the reduction in debt is attributable to the disposal proceeds of the sale of Five Star Fish. It should be noted that of the tax relating to the disposal, £2.6m will be paid in the first half of 2008.

Pensions

The subsidiaries of the Group, Napier Brown Foods Ltd and Napier Brown & Company Ltd, operate a defined benefit pension scheme. The scheme is closed with benefits no longer accruing. The IAS 19 valuation of the scheme at the year end identified a £1.8m surplus, an improvement of £3.0m on the prior year. During the year the Group contributed £127,000 to the scheme.

Key performance indicators

The Group's Board monitors a range of financial and non-financial key performance indicators, reported on a periodic basis, to measure the Group's performance over time. The key performance indicators are set out below:

	Year ended 31 December 2007	Year ended 31 December 2006
Revenue growth[1]	**4.7%**	(4.9)%
Operating margin[2]	**3.2%**	4.0%
Debt cover (net debt:EBITDA)[3]	**2.8**	3.7
Interest cover[4]	**3.0**	3.6
Health & Safety score[5]	**60%**	n/a

1 Revenue growth is calculated for continuing operations and thus for 2007 excludes Five Star Fish revenues.

2 Operating margin is stated for continuing operations only (thus excluding Five Star Fish for 2006 and 2007) and is calculated by dividing profit before tax and before significant items by revenue from continuing operations.

3 Debt cover is calculated by dividing total net debt by continuing EBITDA. EBITDA is defined as earning before significant items, interest, tax, depreciation and intangible assets amortisation.

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

[5] Health & Safety score represents the weighted average score across all sites as determined by our health and safety score index which was introduced in 2007 and is measured by an external consultant.

Risk and uncertainties

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

a) Key customers

The Group has a number of key customers and supply arrangements, individual products and ranges to meet customer expectations and refresh offerings. Our expertise in product development and customer relationships give sufficient opportunity to mitigate such changes.

b) Raw materials

Several of the raw materials used by the Group are subject to price fluctuations. The operating divisions typically purchase these items on forward contracts, providing cover for some months ahead and allowing the management team to react to price changes. In some cases, however, due to specific sales contracts with our customers, we may not be able to pass on the full impact of the raw material price increase. The last 12 months has witnessed significant raw material price inflation and this continues into 2008.

c) Sugar Regime

The new European Union Sugar Regime commenced on 1 July 2006. The tonnage of sugar produced from beet in the EU will reduce significantly and will be replaced by supplies from Least Developed Countries (LDCs) under the Everything But Arms initiative (EBA). The Group has good relationships with a number of beet refiners and has, and will continue to develop, strong long-term relationships with LDC suppliers, particularly in Southern Africa. The Group is well placed to take advantage of the changes in supply patterns. In the meantime the process of structural change has introduced a less competitive market-place.

d) Legislation

The Group operates in an environment overseen by a range of regulatory requirements and is aware of the importance of complying with all applicable legislation affecting our operating activities.

e) Food safety

As a reputable food manufacturer our operating Divisions rigorously enforce our technical policies and procedures in relation to the production and storage of our products.

All Divisions are higher grade BRC accredited.

f) Safety

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

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

Health and safety is discussed at all monthly divisional reviews and reported to the main Board twice annually.

g) Pensions

The Group acquired a defined benefits pension scheme as part of its acquisition of Napier Brown Foods in September 2005. Whilst this scheme is closed and benefits are no longer accruing, the valuation of any defined benefits pension scheme is subject to movements in equity markets, gilt returns and life expectancy. An adverse movement in any one of these factors may require the Group to increase its level of funding to the scheme.

h) Changing consumer trends

The Group could be impacted by changing consumer trends, with potential risk areas including concerns over obesity and healthier eating.

The Group may also be affected by any adverse scientific comment upon food safety or health aspects of certain food categories.

The Group's proactive product development and technical teams are well positioned to help mitigate these risks.

L M Camfield
Group Finance Director
April 2008

DIRECTORS OF THE GROUP

EXECUTIVE DIRECTORS

Stephen Heslop
(Group Managing Director)

Aged 49, Stephen was appointed as Group Managing Director in July 2007. Stephen has worked in the food and drink industry for 22 years, including positions at Grand Metropolitan, RHM, Homepride Foods (Dalgety) and Beaverlac Fine Foods (Hazlewoods). Before his appointment as Group Managing Director Stephen was Managing Director of the Bakery and Bakery Ingredients Division at RGFC from February 2007 before which he was Managing Director of the Bakery Ingredients Division, a role he commenced in October 2005.

Lee Camfield
(Group Finance Director)

Aged 40, Lee qualified as a Management Accountant in 1991. He joined the Group in March 2004 from Golden West Foods Ltd, a subsidiary of Rank Hovis McDougall, where he was Group Financial Controller. He has held a number of financial appointments with food manufacturing companies including Coca-Cola & Schweppes Beverages Ltd, the Cheese Company Ltd and HJ Heinz Ltd.

John Gibson
(Group Managing Director – Resigned September 2007)

Aged 56.

NON-EXECUTIVE DIRECTORS

Pieter Totté
(Non-Executive Chairman)

Aged 58, Pieter has considerable knowledge of the food sector and has acted as a Corporate Finance Adviser in a large number of transactions within the food industry over the last 20 years. He is retained as an adviser to various companies operating in the food sector.

Patrick Ridgwell
(Non-Executive Deputy Chairman)

Aged 62, has extensive experience of the sugar industry and other food sectors, having acquired and developed a number of food businesses during his career. He joined Napier Brown & Company in 1964, became a director in 1969 and Managing Director in 1972, following its acquisition of his family interests in 1970. He is Chairman of Napier Brown Holdings Ltd which is controlled by family interests. He is also a director of Napier Brown Ingredients Ltd.

Peter Salter
(Non-Executive Director)

Aged 59, Peter was until 1998 a Partner in Horwath Clark Whitehill, Chartered Accountants, initially as a Specialist Tax Partner and latterly as Chief Executive of the firm. He then spent some five years in international corporate consultancy where he was involved in a number of mergers and acquisitions, fund raising and other advisory work. He has wide experience of working with financial institutions and companies and leads the Group's Audit and Remuneration Committees. He is a Director of two other AIM companies.

Christopher Thomas
(Non-Executive Director)

Aged 63, Christopher qualified as a chartered accountant with Harmood Banner, a predecessor firm of PricewaterhouseCoopers in 1969. In 1973, after working abroad, he joined Breakmate Ltd, a vending business, which was admitted to the Unlisted Securities Market in 1984. Following a sale of the business he worked as a financial consultant. In 1992 he joined the Napier Brown Foods Group as the Group Finance Director. For the following 13 years he was directly involved with the day-to-day operations of the individual businesses within the Napier Brown Foods Group, and was most recently Chief Executive Officer of Napier Brown Foods.

REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements for the year ended 31 December 2007.

Statement of Directors' Responsibilities

The Directors are responsible for preparing 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 period which give a true and fair view of the state of affairs of the Company and the Group at the end of the period and the profit or loss of the Group for the period. In preparing the financial statements Directors are required to:

> select suitable accounting policies and then apply them consistently;

> make judgements and 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 assume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud or other irregularities.

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

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

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

So far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware.

The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of the information.

Principal activities

The principal activity of the Group is that of a food manufacturing and distribution business.

The Group trades through its four operating divisions.

Sugar

The distribution of bulk sugar and manufacture and supply of packed sugar and powders to the retail and industrial food sectors.

Bakery ingredients

The manufacture and supply of marzipan, ready to roll icing and baking chocolate to the industrial and retail sectors.

Bakery

The manufacture and supply of high-quality ambient cakes and desserts to the retail sector.

Fish

The manufacture and supply of added value frozen fish to the food service sector. This business was disposed of in June 2007.

Business review and future developments

These are covered in detail within the Chairman's Statement, Divisional Reviews and Finance Director's Report on pages 4 – 13.

Results and dividends

The Group's revenue from continuing operations for the year was £231,144,000 (2006 – £221,736,000), yielding a continuing gross profit of £29,636,000 (2006 – 28,834,000) and a continuing operations operating profit of £6,917,000 (2006 – £8,210,000).

Discontinued operations turnover for the year was £14,962,000 (2006 – £29,075,000), yielding an operating profit of £2,159,000 (2006 – £4,011,000).

The Group's profit for the year after taxation was £5,793,000 (2006 – £6,031,000). This gives a basic earnings per share of 8.9 pence (2006 – 9.3 pence).

REPORT OF THE DIRECTORS

The Group ended the year with net assets of £79,201,000 (2006 – £72,658,000) and cash balances of £13,780,000 (2006 – £12,412,000). Details of the Group's borrowings are set out in Note 22.

The Directors do not recommend payment of a dividend in respect of the year ended 31 December 2007 (2006 – £Nil).

Significant items

During the year the Group incurred significant costs of £523,000 (2006 – £1,101,000) relating to reorganisation costs; additionally the Group benefited from a £1,860,000 profit after tax on the disposal of its Five Star Fish business. Full details are given in Note 25 of the financial statements.

Non-current assets

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

Directors

The beneficial interests of the Directors on 31 December 2007 are set out below:

Ordinary shares

	2.0 pence each 31 December 2007	2.0 pence each 31 December 2006
P W Totté	**2,474,124***	2,474,124*
S H Heslop (Appointed 12 July 2007)	**8,000**	8,000
L M Camfield	**9,598****	5,000**
P G Ridgwell	**22,502,354*****	22,502,354***
P C Salter	**5,000**	5,000
C O Thomas	**152,363**	152,363

* 1,925,000 shares are held directly by Menton Investments Ltd 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 Ltd on behalf of Menton Investments Ltd. P W Totté holds a further 549,124 shares directly.

** Includes 4,598 shares held in an employee SIP which L M Camfield contributes to on a monthly basis.

*** Napier Brown Ingredients Ltd 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

At 31 December 2007 there were the following substantial interests (3% or more) in the Company's Ordinary Share Capital.

	% Holding in ordinary share capital 31 December 2007
Napier Brown Ingredients Ltd	34.1%
Giltspur Nominees Ltd	7.8%
Agman Holdings Ltd	7.0%
City Gate Nominees Ltd	6.1%
P W Totté	3.8%
Investec	3.6%
HSBC France	3.1%

Directors indemnities

The Company has paid £19,950 (2006 – £20,790) in respect of Directors and Officers' indemnity insurance.

Report on corporate governance

The Financial Services Authority requires listed companies (but not companies traded on the Alternative Investment Market ("AIM")) incorporated in the UK to state in their report and accounts whether they comply with the Combined Code and identify and give reasons for any areas of non-compliance. The Group is listed on AIM and therefore no disclosures are required.

The Board is aware of the requirements of the Combined Code and the need for appropriate controls and systems to safeguard the Group's assets. However, full compliance with the Combined Code is not possible because of the size and resource constraints within the Group and because of the relative cost benefit assessment of putting in place the additional procedures. The Group operates an effective Board which meets on a timely basis.

This is not a statement of compliance as required by the Combined Code and should therefore not be relied upon to give the disclosure which would normally be made.

The Board maintains an appropriate relationship with the Group's auditors through the Audit Committee. The auditors provide other services in addition to conducting the Group's audits as detailed in Note 6. Procedures are in place to ensure auditor independence is not compromised.

The remuneration packages for Executive Directors are structured to attract, motivate and retain Directors with the experience, capabilities and ambition required to achieve the Group's strategic aims. The Remuneration Committee is responsible for determining and reviewing the annual remuneration packages of Executive Directors. The Committee comprises P C Salter, P W Totté and P G Ridgwell.

The salaries of Executive Directors are set by the Committee and reviewed annually, taking into account the performance of the Group, and the individual and salary increases given to other Group employees.

Payment of suppliers
The Group does not follow any code or statement on payment practice, but the policy of the Group is to abide by such payment terms as are agreed with suppliers within the terms of supply. At the Balance Sheet date there were 26 (2006 – 30) days' purchases outstanding, calculated on the ratio of trade creditors to total purchases.

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

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Group also has some currency exposure regarding its sugar trade but the majority of this risk is hedged. The Board reviews and agrees policies, which have remained substantially unchanged for the year under review, for managing these risks. The policies are summarised below.

Full details of the Group's financial assets and liabilities are set out in Note 22 to the financial statements.

Interest rate risk
Interest rate swaps are adopted by the Group to reduce interest rate risk. The amounts of the interest rate swaps at the year end were:

Year ended 31 December 2007	Year ended 31 December 2006
3,453,750 @ 5.67%	4,168,250 @ 5.67%
20,000,000 @ 6.00%	20,000,000 @ 4.75%

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.

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 are in place for all Senior Managers and Directors.

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

Charitable and political donations
During the current financial year the Group made charitable donations of £2,256 (2006 – £4,360). No political donations were made during the current or previous financial year.

Auditors
Horwath Clark Whitehill LLP have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the forthcoming Annual General Meeting.

This report was approved by the Board on 3 April 2008 and is signed on its behalf by

P W Totté
Chairman

L M Camfield
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS

Independent auditors' report to the shareholders of The Real Good Food Company plc

We have audited the Group and Parent Company financial statements (the "financial statements") of The Real Good Food Company plc for the year ended 31 December 2007 which are set out on pages 19 to 55. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the highlights, Finance Director's review and the divisional reviews. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Parent Company financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

> the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended;

> the Parent Company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2007;

> the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and

> the information given in the Directors' Report is consistent with the financial statements.

Horwath Clark Whitehill LLP
Chartered Accountants & Registered Auditors
10 Palace Avenue
Maidstone
Kent
ME15 6NF

CONSOLIDATED INCOME STATEMENT YEAR ENDED 31 DECEMBER 2007

	Notes	Year ended 31 December 2007 Before Significant items £'000s	Significant items (Note 5) £'000s	Total £'000s	Year Ended 31 December 2006 Before significant items £'000s	Significant items (Note 5) £'000s	Total £'000s
CONTINUING OPERATIONS							
Revenue	3	**231,144**	–	**231,144**	221,736	–	221,736
Cost of sales		(201,508)	–	(201,508)	(192,659)	(243)	(192,902)
Gross profit		**29,636**	–	**29,636**	29,077	(243)	28,834
Distribution costs		(10,367)		(10,367)	(8,052)		(8,052)
Administration expenses		(11,829)	(523)	(12,352)	(11,714)	(858)	(12,572)
Operating profit	7	**7,440**	**(523)**	**6,917**	9,311	(1,101)	8,210
Finance income	8	500	–	500	284	–	284
Finance costs	9	(4,151)	–	(4,151)	(4,358)	–	(4,358)
Other finance income	10	184	–	184	372	–	372
Profit/(loss) before taxation		**3,973**	(523)	**3,450**	5,609	(1,101)	4,508
Income tax expense	13	(1,047)	157	(890)	(1,489)	292	(1,197)
Profit/(loss) from continuing operations		**2,926**	**(366)**	**2,560**	4,120	(809)	3,311
DISCONTINUED OPERATIONS							
Revenue	3	**14,962**	–	**14,962**	29,075	–	29,075
Operating expenses		(12,803)	–	(12,803)	(25,064)	–	(25,064)
Operating profit	7	**2,159**	–	**2,159**	4,011	–	4,011
Finance costs		(96)		(96)	(209)	–	(209)
Profit on sale of division	25	–	8,070	8,070	–	–	–
Profit/(loss) before taxation		**2,063**	8,070	**10,133**	3,802	–	3,802
Income tax expense	13	(690)	(6,210)	(6,900)	(1,082)	–	(1,082)
Profit from discontinued operations		**1,373**	**1,860**	**3,233**	2,720	–	2,720
Profit for the year		**4,299**	**1,494**	**5,793**	6,840	(809)	6,031
Basic and diluted profit per share				**8.9p**			9.3p
Adjusted profit per share	14	**6.6p**			10.5p		
Continuing operations basic and diluted profit per share	14	**4.5p**			6.4p		
Discontinued operations basic and diluted profit per share	14	**2.1p**		**5.0p**	4.2p		4.2p

The Notes on pages 25 to 55 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2007

	Issued share capital £'000s	Share premium account £'000s	Share option reserve £'000s	Retained earnings £'000s	Total £'000s
Balance as at 1 January 2006	**1,297**	**68,773**	**34**	**(3,062)**	**67,042**
Shares options to be issued	–	–	19	–	19
Profit for the year	–	–	–	6,031	6,031
Actuarial loss related to pension scheme	–	–	–	(620)	(620)
Deferred tax attributable to actuarial loss	–	–	–	186	186
Total recognised income and expense for the year	**–**	**–**	**19**	**5,597**	**5,616**
Balance as at 31 December 2006	**1,297**	**68,773**	**53**	**2,535**	**72,658**
Balance as at 1 January 2007	**1,297**	**68,773**	**53**	**2,535**	**72,658**
Shares options to be issued	–	–	20	–	**20**
Share options exercised in year	3	97	(7)	–	**93**
Profit for the year	–	–	–	5,793	**5,793**
Actuarial gain related to pension scheme	–	–	–	911	**911**
Deferred tax attributable to actuarial gain	–	–	–	(274)	**(274)**
Total recognised income and expense for the year	**3**	**97**	**13**	**6,430**	**6,543**
Balance as at 31 December 2007	**1,300**	**68,870**	**66**	**8,965**	**79,201**

The Notes on pages 25 to 55 form part of these financial statements.

CONSOLIDATED BALANCE SHEET
31 DECEMBER 2007

	Notes	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Non-current assets			
Goodwill	15	**75,796**	90,611
Other intangible assets	16	**547**	532
Property, plant and equipment	17	**16,721**	18,186
		93,064	109,329
Current assets			
Inventories	20	**9,353**	14,685
Trade and other receivables	21	**24,784**	29,224
Derived financial instruments	22	**113**	63
Cash and cash equivalents		**13,780**	12,412
		48,030	56,384
Total assets		**141,094**	165,713
Current liabilities			
Trade and other payables	23	**17,289**	20,221
Borrowings	22	**22,479**	10,235
Derived financial instruments	22	**81**	18
Current tax liabilities		**3,615**	628
		43,464	31,102
Non-current liabilities			
Borrowings	22	**17,161**	59,207
Deferred tax liabilities	19	**912**	1,124
Provisions	24	**356**	766
Retirement benefit obligations	31	**–**	856
		18,429	61,953
Total liabilities		**61,893**	93,055
Net assets		**79,201**	72,658
Equity			
Share capital	26	**1,300**	1,297
Share premium account	27	**68,870**	68,773
Share option reserve	27	**66**	53
Retained earnings	27	**8,965**	2,535
Total equity		**79,201**	72,658

These financial statements were approved by the Board of Directors and authorised for issue on 3 April 2008. They were signed on its behalf by:

P W Totté
Chairman

L M Camfield
Director

The Notes on pages 25 to 55 form part of these financial statements.

COMPANY BALANCE SHEET
31 DECEMBER 2007

	Notes	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Non-current assets			
Goodwill	15	**–**	14,815
Investments	18	**55,838**	55,838
Other intangible assets	16	**84**	113
Property, plant and equipment	17	**3,417**	5,888
Trade and other receivables	21	**39,121**	37,229
		98,460	113,883
Current assets			
Inventories	20	**621**	6,418
Trade and other receivables	21	**6,505**	11,288
Derived financial instruments	22	**86**	63
Cash and cash equivalents		**6,613**	5,853
		13,825	23,622
Total assets		**112,285**	137,505
Current liabilities			
Trade and other payables	23	**5,122**	8,196
Borrowings	22	**20,234**	5,257
Current tax liabilities		**4,058**	39
		29,414	13,492
Non-current liabilities			
Borrowings	22	**13,223**	55,408
Deferred tax	19	**(381)**	(344)
Provisions	24	**222**	525
		13,064	55,589
Total liabilities		**42,478**	69,081
Net assets		**69,807**	68,424
Equity			
Share capital	26	**1,300**	1,297
Share premium account	27	**68,870**	68,773
Share option reserve	27	**66**	53
Retained earnings	27	**(429)**	(1,699)
Total equity		**69,807**	68,424

These financial statements were approved by the Board of Directors and authorised for issue on 3 April 2008. They were signed on its behalf by:

P W Totté
Chairman

L M Camfield
Director

The Notes on pages 25 to 55 form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT YEAR ENDED 31 DECEMBER 2007

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
CASH FLOW FROM OPERATING ACTIVITIES		
Adjusted for:		
Profit before taxation	**13,583**	8,310
Finance costs	**4,247**	4,567
Finance income	**(500)**	(284)
IAS 19 income	**(184)**	(372)
Depreciation of property, plant & equipment	**1,645**	1,834
Amortisation of intangibles	**148**	91
(Profit)/loss on disposal of fixed assets	**–**	(175)
Share based payment expense	**13**	19
Gain on disposal of discontinued operation	**(8,070)**	–
Operating cash flow	**10,882**	13,990
Increase in inventories	**(2,168)**	(296)
(Increase)/decrease in receivables	**(511)**	1,117
Increase/(decrease) in payables	**484**	(2,351)
Cash generated from operations	**8,687**	12,460
Income tax paid	**(1,607)**	(660)
Interest paid	**(3,960)**	(4,567)
Net cash from operating activities	**3,120**	7,233
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	**409**	300
Cost of acquisition	**–**	(2,489)
Disposal of division	**34,333**	–
Income tax paid on disposal of division	**(3,410)**	–
Proceeds on disposal of property, plant & equipment	**113**	630
Purchase of intangible assets	**(163)**	(237)
Purchase of property, plant & equipment	**(3,067)**	(2,633)
Net cash (used in)/from investing activities	**28,215**	(4,429)
CASH FLOW USED IN FINANCING ACTIVITIES		
Repayment of borrowings	**(27,476)**	(3,890)
Repayment of obligations under finance leases	**(362)**	(279)
Hire purchases advances	**263**	943
Proceeds on issue of shares	**100**	–
Net cash used in financing activities	**(27,475)**	(3,226)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**3,860**	(422)
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of year	**6,925**	7,347
Net movement in cash and cash equivalents	**3,860**	(422)
Cash and cash equivalents at end of year	**10,785**	6,925
Cash and cash equivalents comprise:		
Cash	**13,780**	12,412
Overdrafts	**(2,995)**	(5,487)
	10,785	6,925

The Notes on pages 25 to 55 form part of these financial statements.

COMPANY CASH FLOW STATEMENT YEAR ENDED 31 DECEMBER 2007

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
CASH FLOW FROM OPERATING ACTIVITIES		
Adjusted for:		
Profit before taxation	**8,372**	1,757
Finance costs	**3,836**	4,269
Finance income	**(3,555)**	(3,146)
Depreciation of property, plant & equipment	**718**	817
Amortisation of intangibles	**43**	24
Share based payment expense	**13**	19
Gain on disposal of discontinued operation	**(8,070)**	–
Operating cash flow	**1,357**	3,740
Increase in inventories	**(1,704)**	(720)
(Increase)/decrease in receivables	**(2,033)**	7,319
Increase/(decrease) in payables	**414**	(3,102)
Cash generated from/(used in) operations	**(1,966)**	7,237
Income tax recovered	**290**	–
Interest paid	**(3,836)**	(4,269)
Net cash from/(used in) operating activities	**(5,512)**	2,968
CASH FLOW FROM INVESTING ACTIVITIES		
Interest received	**3,464**	3,146
Disposal of division	**34,333**	–
Income tax paid on disposal of division	**(3,410)**	–
Purchase of goodwill	**–**	(27)
Proceeds on disposal of property, plant & equipment	**–**	68
Purchase of intangibles	**(14)**	(71)
Purchase of property, plant & equipment	**(994)**	(916)
Net cash from investing activities	**33,379**	2,200
CASH FLOW USED IN FINANCING ACTIVITIES		
Repayment of borrowings	**(27,476)**	(3,890)
Repayment of obligations under finance leases	**(198)**	(77)
Advances new finance leases	**263**	150
Proceeds on issue of shares	**100**	–
Net cash (used in)/from financing activities	**(27,311)**	(3,817)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**556**	1,351
CASH AND CASH EQUIVALENTS		
Cash and cash equivalents at beginning of year	**5,197**	3,846
Net movement in cash and cash equivalents	**556**	1,351
Cash and cash equivalents at end of year	**5,753**	5,197
Cash and cash equivalents comprise:		
Cash	**6,613**	5,853
Overdrafts	**(860)**	(656)
	5,753	5,197

The Notes on pages 25 to 55 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2007

1. PRESENTATION OF FINANCIAL STATEMENTS

General information

The Real Good Food Company plc is a public Ltd company incorporated in the United Kingdom under the Companies Act 1985 (registered number 4666282). The Company is domiciled in the United Kingdom and its registered address is International House, 1 St Katharine's Way, London, E1W 1XB. The Company's shares are traded on the Alternative Investment Market (AIM).

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

Basis of preparation

These consolidated financial statements are presented for the first time on the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union. These standards have been adopted with effect from 1 January 2006 as required under AIM rules and therefore the comparative figures for year ended 31 December 2006 have been restated to include the effect of this adoption. An explanation of the effect this has had on the 2006 figures is included in Note 32 to the financial statements.

The following IFRS standards, amendments and interpretations are effective for the Company from 1 January 2008 and hence have not been adopted within these financial statements. The adoption of these standards, amendments and interpretations is not expected to have a material impact on the Company's profit for the year or equity:

IAS 1 Presentation of Financial Statements (revised September 2007)
IAS 14 Segment Reporting (revised January 2008)
IAS 23 Borrowing Costs (revised March 2007)
IAS 27 Consolidated and Separate Financial Statements (January 2008)
IFRS 2 Share Based Payment Vesting Conditions and Cancellations (revised January 2008)
IFRS 3 Business Combinations (revised January 2008)
IFRIC 11 IFRS 2 Group and Treasury Share Transactions
IFRIC 12 Service Concession Arrangements
IFRIC 13 Customer Loyalty Programmes
IFRIC 14 IAS 19 The limit on a defined benefit asset, minimum funding requirements and their interaction

Critical accounting estimates and judgements

The Company may be required to make estimates and assumptions concerning the future. These estimates and judgements are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. No critical accounting estimates and judgements have been required for the production of these 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.

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 income statement 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 230 of the Companies Act 1985 the Company is exempt from the requirement to present its own income statement. The profit for the financial period, of the holding Company, as approved by the Board, was £1,270,000 (2006 – £1,359,000).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Goodwill

Goodwill is calculated as the difference between the fair value of the consideration exchanged, including directly attributable acquisition costs, and the net 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 and 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.

Goodwill arising on acquisitions prior to the date of transition to IFRS has been retained at the previous UK GAAP amount subject to being tested for impairment at that date.

d) Revenue recognition

Revenue comprises the invoiced value of goods and services supplied by the Company and Group, exclusive of Value Added Tax and trade discounts. Revenue is recognised at the point or points at which the Company and Group has performed its obligations in connection with the contractual terms of the revenue agreement, and in exchange obtains the right to consideration.

e) Income tax

The charge for taxation is based on the results for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences. Deferred tax is not discounted.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

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 losses are recognised in full in the period in which they occur. Actuarial gains are recognised to the extent that the scheme ceases to be in deficit. They are recognised outside the income statement and presented in the statement of changes in equity. Further details are given in Note 31 to the financial statements.

g) Property, plant and equipment

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

h) Intangible assets

In line with IAS 38 “Intangible Assets” the Group has reclassified computer software costs from property, plant and equipment into intangible assets. The life of this intangible asset class is considered to be for a definite period of five years and the assets are amortised over this period.

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 balance sheet 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 payables. Rentals payable are apportioned between the finance element, which is charged to the income statement, 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 income statement over the lease term.

j) Investments

Investments are stated at cost less provision for any permanent diminution 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 stocks. Cost includes all direct costs and an appropriate proportion of fixed and variable overheads. Net realisable value is based upon estimated selling price allowing for all further costs of completion and disposal.

l) Derivative financial instruments

The Group uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The Group does not hold or issue derivative financial instruments for speculative purposes. Further details of derived financial instruments are disclosed in Note 22 to the financial statements.

m) Cash and cash equivalents

Cash and cash equivalents on the balance sheet consist of cash in hand and at the bank, plus short-term money market deposits. Cash and cash equivalents recognised in the cash flow statement include cash in hand and at the bank, any short-term money market deposits and bank overdrafts which are payable on demand.

n) Foreign currencies

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

o) Share-based payments

The Group has applied the requirements of IFRS 2 “share-based payment”. In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after September 2003 (the date the Group listed on AIM) that were unvested as of 1 January 2005.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

o) Share-based payments

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Fair value is measured by use of the QCA-IRS Option ValuerTM which is based upon the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

p) Government grants

Government grants relating to property, plant and equipment are treated as deferred income and released to the income statement over the expected useful lives of the assets concerned. Other grants are credited to the income statement as the related expenditure is incurred.

3. REVENUE

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

(a) distribution of bulk sugar, manufacture and supply of packed sugar and powders;
(b) manufacture and supply of marzipan, ready to roll icing and baking chocolate to the industrial and retail sectors;
(c) manufacture and supply of added value frozen fish to the food service sector; and
(d) manufacture and supply of high-quality ambient and chilled cakes and desserts to the industrial and retail sectors.

4. SEGMENT REPORTING

Primary format – business segments

The Group has adopted IFRS 8 "Operating segments" in advance of its effective date, with effect from 1 January 2006. IFRS 8 requires that operating segments be identified on the basis of internal reporting and decision-making. This is consistent with the previous Divisional reporting that the Group previously published and therefore the information is consistent with that of previous financial statements.

The following table shows the Group's revenue and results for the year under review analysed by operating segment. Segment profit represents the trading profit after depreciation but before any interest and significant items.

Year ended 31 December 2007

	Sugar	Bakery Ingredients	Bakery	Head office & consolidation adjustment	Continuing Operations total	Discontinued Operations	Total Group
Revenue – external	181,831	31,096	18,217	–	231,144	14,962	246,106
Revenue – internal	8,253	824	–	(9,077)	–	–	–
Total revenue	**190,084**	**31,920**	**18,217**	**(9,077)**	**231,144**	**14,962**	**246,106**
Operating profit	**6,390**	**2,350**	**71**	**(1,371)**	**7,440**	**2,159**	**9,599**
Significant items					(523)	–	(523)
Profit on sale of division					–	8,070	8,070
Earnings before interest and tax					**6,917**	**10,229**	**17,146**
Net interest					(3,651)	(96)	(3,747)
Pension finance income					184	–	184
Tax					(890)	(6,900)	(7,790)
Profit after tax					**2,560**	**3,233**	**5,793**

Inter-segment sales are charged at prevailing market rates.

The Group operates a central function; finance costs cannot be meaningfully allocated to individual operating divisions.

Year ended 31 December 2007

	Sugar	Bakery Ingredients	Bakery	Head office & consolidation adjustment	Continuing Operations Total	Discontinued Operations	Total Group
Segment assets	73,859	27,435	5,675	34,107	141,076	18	141,094
Segment liabilities	(12,539)	(3,501)	(3,558)	(40,668)	(60,266)	(1,627)	(61,893)
Net operating assets	61,320	23,934	2,117	(6,561)	80,810	(1,609)	79,201
Capital investments	715	1,516	994	14	3,239	–	3,239
Depreciation	548	380	643	3	1,574	71	1,645
Amortisation	49	54	45	–	148	–	148

Secondary format – geographical segments

The Group earns revenue from countries outside the United Kingdom, but as these only represent 3.4% of the total revenue of the Group, segmental reporting of a geographical nature is not considered relevant.

Year ended 31 December 2006

	Sugar	Bakery Ingredients	Bakery	Head office & consolidation adjustment	Continuing Operations Total	Discontinued Operations	Total Group
Revenue – external	172,066	32,496	17,174	–	221,736	29,075	250,811
Revenue – internal	7,987	687	–	(8,674)	–	–	–
Total revenue	**180,053**	**33,183**	**17,174**	**(8,674)**	**221,736**	**29,075**	**250,811**
Operating profit	**7,368**	**3,092**	**68**	**(1,217)**	**9,311**	**4,011**	**13,322**
Significant items					(1,101)	–	(1,101)
Earnings before interest and tax					**8,210**	**4,011**	**12,221**
Net interest					(4,074)	(209)	(4,283)
Pension finance income					372	–	372
Tax					(1,197)	(1,082)	(2,279)
Profit after tax					**3,311**	**2,720**	**6,031**

Inter-segment sales are charged at prevailing market rates.

The Group operates a central function, finance costs cannot be meaningfully allocated to individual operating divisions.

Year ended 31 December 2006

	Sugar	Bakery Ingredients	Bakery	Head office & consolidation adjustment	Continuing Operations total	Discontinued Operations	Total Group
Segment assets	73,958	27,176	5,603	44,022	150,759	14,954	165,713
Segment liabilities	(13,583)	(4,130)	(4,578)	(62,892)	(85,183)	(7,872)	(93,055)
Net operating assets	60,375	23,046	1,025	(18,870)	65,576	7,082	72,658
Capital Investments	1,353	531	559	–	2,443	427	2,870
Depreciation	449	566	644	3	1,662	172	1,834
Amortisation	48	19	24	–	91	–	91

Secondary format – geographical segments

The Group earns revenue from countries outside the United Kingdom, but as these only represent 2.6% of the total revenue of the Group, segmental reporting of a geographical nature is not considered relevant.

5. SIGNIFICANT ITEMS

	Notes	**Year ended 31 December 2007 £'000s**	Year ended 31 December 2006 £'000s
Profit on disposal of division	25	**8,070**	–
Management restructuring costs		**(523)**	(1,101)
		7,547	(1,101)
Taxation (charge)/credit on significant items		**(6,053)**	292
		1,494	(809)

6. AUDITORS' REMUNERATION

The analysis of auditors' remuneration is as follows:

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Fees payable to the Company's auditors for the audit of the Company's annual accounts		
Total audit fees	**25**	28
Fees payable to the Group's auditors for other services to the Group		
The audit of the Company's subsidiaries pursuant to legislation	**95**	92
Other services in relation to taxation	**34**	30
Services relating to corporate finance transactions	**48**	–
All other services	**17**	15
Total non audit fees	**194**	137
	219	165

7. OPERATING PROFIT

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
This is stated after charging:		
Depreciation of property, plant and equipment	**1,645**	1,834
Amortisation of intangible assets	**148**	91
Hire of plant and machinery	**254**	360
Rentals under operating leases – land and buildings	**670**	669
Rentals under operating leases – other assets	**436**	300

8. FINANCE INCOME

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Interest on interest rate swap agreements	**41**	47
Bank interest receivable	**459**	237
	500	284

9. FINANCE COSTS

	Continuing Operations		Discontinued Operations	
	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s	**Year ended 31 December 2007 £'000s**	Year ended 31 December 2006 £'000s
Interest on bank loans and overdrafts	**3,774**	4,074	**94**	203
Interest on obligations under finance leases	**99**	48	**2**	5
Interest on loan notes	**263**	218	**–**	1
	4,136	4,340	**96**	209
Fair value gains on interest rate swaps	**(22)**	(38)	**–**	–
Changes in fair value of forward currency exchange contracts	**37**	56	**–**	–
	4,151	4,358	**96**	209

10. OTHER FINANCE INCOME

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Interest on pension scheme liabilities	**(909)**	(804)
Expected return on pension scheme assets	**1,093**	1,176
	184	372

11. DIRECTORS' REMUNERATION

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Fees	**245**	245
Executive salaries and benefits	**397**	386
Compensation for loss of office	**273**	–
	915	631

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

	Salary and fees* £'000s	Bonus £'000s	Compensation for loss of office £'000s	Benefits £'000s	Pension £'000s	**Year ended 31 December 2007 £'000s**	Year ended 31 December 2006 £'000s
S Heslop**	74	–	–	4	6	**84**	–
J F Gibson***	112	10	273	7	6	**408**	224
L M Camfield	144	10	–	9	15	**178**	162
P W Totté****	100	–	–	–	–	**100**	100
P Ridgwell	75	–	–	–	–	**75**	75
P C Salter	40	–	–	–	–	**40**	40
C O Thomas	30	–	–	–	–	**30**	30
	575	**20**	**273**	**20**	**27**	**915**	631

* Fees include both fees received as an officer of the Company and separate consultancy fees.
** Appointed 12 July 2007
*** Resigned 20 September 2007
**** Fees in relation to P W Totté are paid to Menton Investments Ltd. Menton Investments Ltd and P W Totté's other trust held a total of 3.8% of the Company's share capital at 31 December 2007.

Key management personnel are considered to be the Company's Directors.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2007

11. DIRECTORS' REMUNERATION (CONTINUED)

Directors' interests in share options

	Option Type	Date of grant	Number of options at 31 December 2007	Number of options at 1 January 2006	Exercise price	Earliest exercise date	Exercise expiry date
P W Totté	Un-approved options 2003	Sept 2003	126,702	126,702	110.00p	Sept 2006	Sept 2013
	Un-approved options 2005	Sept 2005	500,000	500,000	115.00p	Sept 2008	Sept 2015
S H Heslop*	Approved options 2006	June 2006	65,934	–	45.5p	June 2009	June 2016
	Un-approved options 2006	June 2006	43,956	–	45.5p	June 2009	June 2016
J F Gibson**	Approved options 2003	Sept 2003	–	90,909	110.00p	Sept 2006	Sept 2013
	Un-approved options 2003	Sept 2003	–	162,495	110.00p	Sept 2006	Sept 2013
	Un-approved options 2005	Sept 2005	–	200,000	115.00p	Sept 2008	Sept 2015
L M Camfield	Approved options 2004	Apr 2004	70,000	70,000	136.50p	April 2007	June 2014
	Un-approved options 2005	Sept 2005	175,000	175,000	115.00p	Sept 2008	Sept 2015
P Ridgwell	Un-approved options 2005	Sept 2005	150,000	150,000	115.00p	Sept 2008	Sept 2015
P C Salter	Un-approved options 2004	Apr 2004	25,000	25,000	136.50p	June 2007	June 2014
	Un-approved options 2005	Sept 2005	30,000	30,000	115.00p	Sept 2008	Sept 2015
C O Thomas	Approved options 2003	Dec 2003	–	44,278	67.75p	Sept 2005	Dec 2013
	Un-approved options 2003	Dec 2003	324,720	324,720	67.75p	Sept 2005	Dec 2013
	Un-approved options 2005	Sept 2005	20,000	20,000	115.00p	Sept 2008	Sept 2015
	Warrants	Dec 2003	369,000	369,000	67.75p	Sept 2005	Dec 2013

* Appointed 12 July 2007, options held on appointment.
** Resigned 20 September 2007

No new options were granted to Directors during the year (2006 – nil). 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 December 2007 was 54.75p and the range during the year was 43p to 83.5p.

During the year retirement benefits were accruing to 3 (2006 – 2) Directors in respect of money purchase pension schemes.

Gains made by the Directors on the exercise of share options were £nil.

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:

	Year ended 31 December 2007	Year ended 31 December 2006
Production	**674**	789
Selling and distribution	**126**	125
Directors and administrative	**60**	73
	860	987

The aggregate payroll costs were as follows:

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Wages, salaries and fees	**17,379**	18,990
Social security costs	**1,697**	1,886
Other pension costs	**593**	629
Cost of options issued to staff (see Note 28)	**13**	19
	19,682	21,524

13. TAXATION

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Current tax		
UK current tax on profits of the year	890	1,588
UK corporation tax on discontinued activities	690	–
Significant items	6,329	–
Adjustments in respect of prior years	–	(409)
Total current tax	**7,909**	1,179
Deferred tax		
Deferred tax charge re pension scheme	93	164
Origination and reversal of timing differences	(137)	936
Effect of tax rate change on deferred tax	(75)	–
Total deferred tax	(119)	1,100
Tax on profit on ordinary activities	**7,790**	2,279

13. TAXATION (CONTINUED)

Factors affecting tax charge for the year

The tax assessed for the year is higher (2006 – lower) than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
TAX RECONCILIATION		
Profit per accounts before taxation	**13,583**	8,310
Tax on profit on ordinary activities at standard CT rate of 30%	**4,075**	2,493
Effect of tax rate change on deferred tax	**(75)**	–
Expenses not deductible for tax purposes	**31**	1,365
IFRS 2 charge not deductible	**4**	–
Deferred tax charge re pension scheme income not taxable	**(37)**	(186)
Goodwill and fair value adjustments not taxable	**(938)**	(959)
Additional deduction for R&D expenditure	**(17)**	(14)
Chargeable gain in excess of accounting profit	**4,747**	–
Marginal relief	**–**	(11)
Adjustments to tax in respect of prior years	**–**	(409)
Current tax charge for the year	**7,790**	2,279

Factors affecting future charges

The corporation tax rate will become 28% with effect from April 2008.

14. EARNINGS PER SHARE

Earnings per share is calculated on the basis of profit for the year after tax, divided by the weighted average number of shares in issue for the 12 months to 31 December 2007 of 65,014,348 (2006 – 64,866,749).

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

Adjusted earnings per share and a diluted adjusted earnings per share, which exclude significant items, has 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.

	Year ended 31 December 2007			Year ended 31 December 2006		
	Earnings (£'000s)	**Weighted average No. of shares**	**Per share amount (pence)**	Earnings (£'000s)	Weighted average No. of shares	Per share amount (pence)
Earnings attributable to ordinary shareholders	**5,793**	**65,014,348**	**8.9**	6,031	64,866,749	9.3
Significant items	**(1,494)**	**–**	**–**	809	–	–
Adjusted earnings per share	**4,299**	**65,014,348**	**6.6**	6,840	64,866,749	10.5
Dilutive effect of options	**–**	**55,427**	**–**	–	86,474	–
Diluted earnings per share	**5,793**	**65,069,775**	**8.9**	6,031	64,953,223	9.3
Diluted adjusted earnings per share	**4,299**	**65,069,775**	**6.6**	6,840	64,953,223	10.5

15. GOODWILL

	Group £'000s	Company £'000s
Cost		
At 1 January 2006	**88,822**	**14,815**
Retrospective adjustment*	**1,789**	**–**
Carried forward 31 December 2006	**90,611**	**14,815**
Brought forward 1 January 2007	**90,611**	**14,815**
Released on disposal of Division	**(14,815)**	**(14,815)**
Carried forward 31 December 2007	**75,796**	**–**

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

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Sugar and Bakery Ingredients Division**	**75,796**	75,796
Bakery	**–**	–
Continuing Operations	**75,796**	75,796
Discontinued Fish Division	**–**	14,815
	75,796	90,611

* A retrospective adjustment in accordance with IFRS 3 "Fair value in acquisition accounting" was made in relation to the fair value of assets acquired in the previous year of Napier Brown Foods Ltd and its subsidiaries.
The adjustment is made up of two elements, an adjustment of £394,000 in respect of a fair value adjustment to computer software and a £1,395,000 adjustment in respect of the corporation and deferred tax provisions at the date of acquisition. The adjustment to tax has arisen as at 31 December 2005 the previous auditors had not made available the closing provision and tax computations to allow and accurate provision at the date of acquisition to be calculated.

** The goodwill relating to the Sugar and Bakery Ingredients Divisions arose out of the single acquisition of Napier Brown Foods by The Real Good Food Company plc in 2005. It has not been possible to allocate this goodwill between the Divisions.

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 (CGUs) 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 during the period. Management estimates discount rates that reflect current market assessments of the time value of money and the risks of industry. The discount rate used for the impairment testing was 5% applied to projected cash flows over a period of 19 years. A period of 19 years has been applied as the Directors used this period to assess the viability of the acquisition when the Group was acquired in 2005. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market; no growth rate has been assumed in the impairment testing.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2007

16. OTHER INTANGIBLE ASSETS

Group

	Total £'000s
Cost	
At 1 January 2007	876
Additions	163
At 31 December 2007	1,039
Amortisation	
At 1 January 2007	344
Charge	148
At 31 December 2007	492
Net book value at 31 December 2007	**547**
Cost	
At 1 January 2006	639
Additions	237
At 31 December 2006	876
Amortisation	
At 1 January 2006	253
Charge	91
At 31 December 2006	344
Net book value at 31 December 2006	**532**

Company

	Total £'000s
Cost	
At 1 January 2007	169
Additions	14
At 31 December 2007	183
Amortisation	
At 1 January 2007	56
Charge	43
At 31 December 2007	99
Net book value at 31 December 2007	**84**
Cost	
At 1 January 2006	98
Additions	71
At 31 December 2006	169
Amortisation	
At 1 January 2006	32
Charge	24
At 31 December 2006	56
Net book value at 31 December 2006	**113**

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 January 2007	11,756	19,061	88	30,905
Additions	79	1,693	1,295	3,067
Disposals	(2,635)	(3,184)	–	(5,819)
Reclassifications	29	816	(845)	–
At 31 December 2007	9,229	18,386	538	28,153
Depreciation				
At 1 January 2007	2,322	10,397	–	12,719
Charge	318	1,327	–	1,645
Disposals	(713)	(2,219)	–	(2,932)
At 31 December 2007	1,927	9,505	–	11,432
Net book value at 31 December 2007	**7,302**	**8,881**	**538**	**16,721**
Cost				
At 1 January 2006	11,691	21,252	349	33,292
Additions	65	2,480	88	2,633
Disposals	(725)	(5,372)	–	(6,097)
Retrospective adjustment*	–	(475)	–	(475)
Reclassifications**	725	1,176	(349)	1,552
At 31 December 2006	11,756	19,061	88	30,905
Depreciation				
At 1 January 2006	1,972	13,671	–	15,643
Charge	350	1,484	–	1,834
Disposals	(341)	(5,301)	–	(5,642)
Retrospective adjustment	–	(181)	–	(181)
Reclassifications**	341	724	–	1,065
At 31 December 2006	2,322	10,397	–	12,719
Net book value at 31 December 2006	**9,434**	**8,664**	**88**	**18,186**

* A retrospective adjustment in accordance with IFRS 3 "Business combinations" was made in relation to the fair value of the assets acquired as part of the acquisition of Napier Brown Foods Ltd in the year ended 31 December 2005.

** Reclassification amounting to £487,000 in 2006 relates to non-current assets previously held as current assets for disposal under IFRS 5. These assets are now in use within the Group and have been depreciated accordingly.

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	Land and buildings £'000s	Plant and equipment £'000s	Assets in the course of construction £'000s	Total £'000s
Cost				
At 1 January 2007	4,334	7,520	88	11,942
Additions	–	–	994	994
Disposals	(2,635)	(2,385)	–	(5,020)
Reclassifications	29	816	(845)	–
At 31 December 2007	1,728	5,951	237	7,916
Depreciation				
At 1 January 2007	1,694	4,360	–	6,054
Charge	168	550	–	718
Disposals	(713)	(1,560)	–	(2,273)
At 31 December 2007	1,149	3,350	–	4,499
Net book value at 31 December 2007	**579**	**2,601**	**237**	**3,417**
Cost				
At 1 January 2006	4,328	6,829	32	11,189
Additions	6	822	88	916
Disposals	–	(163)	–	(163)
Reclassifications	–	32	(32)	–
At 31 December 2006	4,334	7,520	88	11,942
Depreciation				
At 1 January 2006	1,508	3,824	–	5,332
Charge	186	631	–	817
Disposals	–	(95)	–	(95)
At 31 December 2006	1,694	4,360	–	6,054
Net book value at 31 December 2006	**2,640**	**3,160**	**88**	**5,888**

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group		Company	
	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s	**Year ended 31 December 2007 £'000s**	Year ended 31 December 2006 £'000s
Plant and machinery	**1,992**	1,226	**156**	349
Motor vehicles	**–**	38	**–**	38
	1,992	1,264	**156**	387

18. INVESTMENTS

Company

Investments in shares of subsidiary undertakings:

	Napier Brown Foods Ltd £'000s	FSF Dormant Ltd/ TD Dormant Ltd £'000s	Haydens Ltd £'000s	Cakes.co.uk Ltd £'000s	Eurofoods plc/ Coolfresh Ltd £'000s	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
At 1 January 2006	53,900	610	1,248	1	79	55,838	55,807
Adjustments in accordance with IFRS3*	–	–	–	–	–	–	31
At 31 December 2007	53,900	610	1,248	1	79	55,838	55,838

* A retrospective adjustment in accordance with IFRS 3 "Business Combinations" was made in relation to the fair value of the cost of the acquisition of Napier Brown Foods Ltd in the accounts for the year ended 31 December 2006.

The aggregate of the share capital and reserves at 31 December 2007 and of the profit and loss for the year ended on that date are as follows:

	Aggregate of share capital and reserves £000's	Profit/(loss) £000's
Napier Brown Foods Ltd	40,085	9,713
Napier Brown & Company Ltd	25,958	6,001

18. INVESTMENTS (CONTINUED)

Company

Subsidiary	Principal activities	Description and number of shares held	Proportion of nominal value of shares held
Hayden's Bakeries Ltd*	Dormant	4,052,659 Ordinary £1	100%
Eurofoods plc*	Dormant	260,000 Ordinary £1	100%
		50,000 Preference £1	
Coolfresh Distribution Ltd*	Dormant	10,000 Ordinary £1	100%
Cakes.co.uk Ltd*	Dormant	100 Ordinary £1	100%
F S F Dormant Ltd*	Dormant	11,112 Ordinary £1	100%
T D Dormant Ltd*	Dormant	5,000 Ordinary £1	100%
Napier Brown Foods Ltd*	Holding Company	28,248,096 Ordinary 50p	100%
Napier Brown & Company Ltd	Sugar & Ingredient Supplier	15,685,000 Ordinary £1	100%
Advanced Sweeteners Ltd	Dormant	2,000 Ordinary £1	100%
Bextra Ltd	Dormant	3,100,000 Ordinary £1	100%
Bextra Foods Ltd	Dormant	11,113 Ordinary £1	100%
Borlands & Sclanders Ltd	Dormant	74,000 Ordinary £1	100%
Garret Ingredients Ltd	Dormant	100 Ordinary £1	100%
Gaywood Sugars Ltd	Dormant	200,000 Ordinary £1	100%
James Budgett Sugars Ltd	Dormant	250,000 Ordinary £1	100%
J F Renshaw Ltd	Dormant	1 Ordinary £1	100%
Renshaw Scott Ltd	Dormant	1 Ordinary £1	100%
The Standardised Food Products Company Ltd	Dormant	5,000 Ordinary £1	
		42,000 Preference £1	100%
Treelink (Ireland) Ltd	Dormant	75,000 Ordinary £1	100%
Sefcol Ltd	Dormant	3,000 Ordinary £1	100%
Whitworths Sugars Ltd	Dormant	2 Ordinary £1	100%

All subsidiaries are registered in England and Wales with the exception of Borland & Sclanders Ltd which is registered in Scotland and Treelink (Ireland) Ltd which is registered in Northern Ireland. All subsidiaries have been included in these consolidated financial statements.

* Held directly by The Real Good Food Company plc.

19. DEFERRED TAXATION (LIABILITY)/ASSET

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

	2007 Group £'000s	**2007 Company £'000s**	2006 Group £'000s	2006 Company £'000s
Beginning of year	**1,124**	**(344)**	188	(728)
Income statement charge	**(212)**	**(38)**	936	384
End of year	**912**	**(382)**	1,124	(344)

Group

The deferred tax liabilities

The deferred tax liabilities are made up as follows and relate to capital allowances in excess of depreciation:

	Total £'000s
At 1 January 2006	**781**
Charged to income	**993**
At 31 December 2006	**1,774**
Charged to income	**(319)**
At 31 December 2007	**1,455**

Deferred tax assets

The deferred tax assets are made up as follows:

	Short term timing differences £'000s	Tax losses £'000s	Total £'000s
At 1 January 2006	–	(593)	(593)
Charged to income	(83)	26	(57)
At 31 December 2006	(83)	(567)	(650)
Charged to income	70	37	107
At 31 December 2007	**(13)**	**(530)**	**(543)**

Company

The deferred tax liabilities

The deferred tax liabilities are made up as follows and relate to capital allowances in excess of depreciation:

	Total £'000s
At 1 January 2006	–
Charged to income	234
At 31 December 2006	234
Charged to income	(84)
At 31 December 2007	**150**

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2007

19. DEFERRED TAXATION (LIABILITY)/ASSET (CONTINUED)

Deferred tax assets

The deferred tax assets are made up as follows:

	Capital allowance in excess of depreciation £'000s	Short-term timing differences £'000s	Tax losses £'000s	Total £'000s
At 1 January 2006	(135)	–	(593)	**(728)**
Charged to income	135	(11)	26	**150**
At 31 December 2006	–	(11)	(567)	**(578)**
Charged to income	–	9	37	**46**
At 31 December 2007	**–**	**(2)**	**(530)**	**(532)**

20. INVENTORIES

	Year ended 31 December 2007 Group £'000s	**Year ended 31 December 2007 Company £'000s**	Year ended 31 December 2006 Group £'000s	Year ended 31 December 2006 Company £'000s
Materials	**2,477**	**555**	4,037	2,431
Work in progress	**129**	**28**	1,388	1,211
Finished goods	**6,747**	**38**	9,260	2,776
	9,353	**621**	14,685	6,418

21. TRADE AND OTHER RECEIVABLES

	Year ended 31 December 2007 Group £'000s	**Year ended 31 December 2007 Company £'000s**	Year ended 31 December 2006 Group £'000s	Year ended 31 December 2006 Company £'000s
Amounts due in more than one year				
Amounts owed by Group undertakings	**–**	**39,121**	–	37,229
Amounts due within one year				
Trade receivables	**21,836**	**1,235**	25,819	4,827
Less : provision for impairment of receivables	**(44)**	**–**	(84)	–
Amounts owed by related parties	**16**	**–**	–	–
Other receivables	**1,862**	**894**	1,357	161
Amounts owed by Group undertakings	**–**	**3,984**	–	5,131
Prepayments	**1,114**	**392**	2,132	1,169
	24,784	**6,505**	29,224	11,288

22. BORROWINGS

	Year ended 31 December 2007 Group £'000s	**Year ended 31 December 2007 Company £'000s**	Year ended 31 December 2006 Group £'000s	Year ended 31 December 2006 Company £'000s
Unsecured borrowings at amortised cost				
Bank overdrafts	**2,995**	**860**	5,487	656
Loan notes	**3,422**	**–**	3,158	–
Secured borrowings at amortised cost				
Bank loans	**32,169**	**32,169**	59,645	59,645
Hire purchase	**1,054**	**428**	1,152	364
	39,640	**33,457**	69,442	60,665
Amounts due for settlement within 12 months	**22,479**	**20,234**	10,235	5,257
Amounts due for settlement after 12 months	**17,161**	**13,223**	59,207	55,408
	39,640	**33,457**	69,442	60,665

Features of the Group's borrowings are as follows:

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

The main risks from the Group's financial instruments are interest rate risk and liquidity risk. The Group also has some currency exposure in relation to its sugar trade but the majority of this risk is hedged. 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 Directors' Report.

The term loan bears interest at 2% over LIBOR and is repayable by instalments every 6 months of £1,380,000. The final repayment is due on 31 January 2010. At the year end the amount outstanding in respect of the facility was £15,669,000.

The revolving credit facility bears interest at a rate of between 1.5% and 2.0% based upon the ratio of senior net debt to earnings before interest, tax, depreciation and amortisation (EBITDA) over LIBOR and is to be repaid via instalments. This facility was replaced during January 2008 with a new invoice discounting facility. This facility bears interest at the rate of 1.5% over LIBOR. The maximum amount of this facility is £20,500,000. At the year end the amount outstanding in respect of the revolving credit facility was £16,500,000.

The fixed interest rate liabilities relate to amounts payable on hire purchase agreements. The weighted average interest rate of these liabilities was 7.33% (2006 – 7.65%) and the weighted average period for which the interest rates are fixed was 43 months (2006 – 54 months).

The Group had outstanding loan notes amounting to £2,773,908 due to Napier Brown Ingredients Ltd as disclosed in Note 30. Interest is charged on the loan notes from 1 January 2007 at 4.0% above LIBOR until repayment. Interest accrued at the year end amounted to £648,000 (2006 – £385,000).

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.

The National Westminster Bank plc, The Royal Bank of Scotland and Coöperatieve Centrale Raiffeisen-Boerenleenbank Bank B.A. trading as Rabobank International, London Branch, has a debenture incorporating a fixed and floating charge over the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery.

22. BORROWINGS (CONTINUED)

The National Westminster Bank plc has a charge over the assignment of life policies as follows:

Policy holder	Policy number	Policy provider
L M Camfield	L0194393452	Scottish Equitable plc
P G Ridgwell	L0191576272	Scottish Equitable plc

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

Forward foreign exchange contracts

	Gross receive amount at inception (asset) £	Gross pay amount at inception (liability) £	Market value (asset) £	Market value (liability) £	Total Market value £
Country					
Europe	308,322	2,033,327	23,593	(81,388)	(57,795)
United States	592,290	–	3,680	–	3,680
Totals	**900,612**	**2,033,327**	**27,273**	**(81,388)**	**(54,115)**

All contracts expire by November 2008

Swaps

	Notional £	Market value (asset) £	Market value (liability) £	Total Market value £
Expiration				
Up to 2009	20,000,000	78,447	–	78,447
Up to 2009	3,453,750	7,211	–	7,211
Totals	**23,453,750**	**85,658**	**–**	**85,658**
Types of swaps				
UK interest rates	23,453,750	85,658	–	85,658
Totals	**23,453,750**	**85,658**	**–**	**85,658**

	Market value (asset) £	Market value (liability) £	Total Market value £
Total market value	**112,931**	**(81,388)**	**31,543**

22. BORROWINGS (CONTINUED)

Obligation under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
Amounts payable under finance leases				
Within one year	**271**	298	**253**	276
Two to five years	**783**	854	**608**	662
	1,054	1,152	**861**	938
Less future finance charges	**(193)**	(214)	**–**	–
Present value of lease obligations	**861**	938	**–**	–
Less amounts due for settlement within 12 months	**–**	–	**(271)**	(298)
Amounts due for settlement after 12 months	**–**	–	**590**	640

It is the Group's policy to lease certain of its property, plant and equipment under finance leases. For the year ended 31 December 2007 the average effective borrowing rate was 7.33% (2006 – 7.65%). 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 Group's lease obligations approximates to their carrying amount

23. TRADE AND OTHER PAYABLES

	Year ended 31 December 2007		Year ended 31 December 2006	
	Group £'000s	**Company £'000s**	Group £'000s	Company £'000s
Due within one year				
Trade payables	**15,286**	**2,386**	17,538	5,025
Social security	**444**	**141**	620	247
Amounts owed to Group undertakings	**–**	**1,938**	–	2,162
Accruals	**1,374**	**556**	1,847	715
Other payables	**185**	**101**	216	47
	17,289	**5,122**	20,221	8,196

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 YEAR ENDED 31 DECEMBER 2007

24. PROVISIONS

	2007 Group £'000s	2007 Company £'000s	2006 Group £'000s	2006 Company £'000s
At 1 January 2007	**766**	**525**	916	583
Additions	**–**	**–**	49	49
Release of government grant	**(158)**	**(158)**	–	–
Released during the year	**(252)**	**(145)**	(199)	(107)
At 31 December 2007	**356**	**222**	766	525

Included in both the Group and Company accounts is £222,000 (2006 – £260,000) relating to an onerous lease commitment on a building no longer used by the Group, £Nil (2006 – £46,000) relating to dilapidation provisions on buildings no longer utilised by the Group, and other provisions amounting to £Nil (2006 – £49,000) related to the closure of the Glastonbury property. In the Group accounts, a provision amounting to £134,000 (2005 – £241,000) is also included and this relates to administration costs of the acquired pension scheme, which is in deficit. There is also a release of provision relating to a government grant of £158,000 (2006 – £Nil), which occurred on the disposal of the Five Star Fish Division.

25. DISPOSAL OF DIVISION

On 12 June 2007 the Group disposed of its interest in the Five Star Fish Division, by way of a sale of assets and liabilities. The net assets at the date of disposal and at 31 December 2006 were as follows:

	12 June 2007 £'000s	31 December 2006 £'000s
Property, plant and equipment	**2,070**	2,052
Inventories	**7,500**	5,899
Trade receivables	**5,174**	3,638
Trade payables	**(4,093)**	(3,288)
Government grants	**(158)**	(170)
Net assets sold	**10,493**	8,131
Attributable goodwill	**15,521**	
Gain on disposal before taxation	**8,070**	
Total net consideration	**34,084**	
Satisfied by		
Net cash inflow arising on disposal	**35,050**	
Deferred consideration	**750**	
	35,800	
Less costs relating to disposal	**(1,716)**	
	34,084	

The deferred consideration was settled in cash by the purchaser on 13 March 2008. The impact of the Division on the Group results is shown in the consolidated income statement.

The Five Star Fish Division reduced the Group's cash inflows by £222,000 (2006 – contributed £1,886,000) in respect of the Group's operating cash flows, reduced the Group's cash inflows by £80,000 (2006 – £378,000) in respect of investing activities and reduced the Group's cash inflows by £2,908,000 (2006 – £265,000) in respect of financing.

26. SHARE CAPITAL

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Authorised equity share capital		
75,000,000 ordinary shares of £0.02 each	**1,500**	1,500
Allotted, called up and fully paid equity share capital		
At 1 January 2007	**1,297**	1,297
Ordinary shares issued during the year	**3**	–
At 31 December 2007	**1,300**	1,297

Shares issued during year were as a result of share options being exercised, under share option agreements 147,599 2.0 pence shares were issued at 67.75p per share.

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

Warrants 2,245,663 shares expiry date end of 2013
Options 2,797,696 shares with expiry dates beyond 2012

27. SHARE PREMIUM AND RESERVES

Group

	Share premium account £'000s	Retained earnings £'000s	Share option reserve £'000s
Balance at 1 January 2007	68,773	2,535	53
Premium arising from issue of shares under options exercised during year (Note 28)	97	–	–
Retained profit for the year	–	5,793	–
Balance at 31 December 2007 excluding pension gains/(losses)	**68,870**	**8,328**	**53**
Pension scheme gains/losses	–	637	–
Shares to be issued	–	–	13
Balance at 31 December 2007 including pension gains/(losses)	**68,870**	**8,965**	**66**

Company

	Share Premium Account £'000s	Retained earnings £'000s	Share option reserve £'000s
Balance at 1 January 2007	68,773	(1,699)	53
Premium arising from issue of shares under options exercised during year (Note 28)	97	–	–
Retained profit for the year	–	1,270	–
Shares to be issued	–	–	13
Balance at 31 December 2007	**68,870**	**(429)**	**66**

28. EQUITY-SETTLED SHARE OPTION SCHEME

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

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

	Year ended 31 December 2007 Number of share options	**Year ended 31 December 2007 Weighted average exercise price (£)**	Year ended 31 December 2006 Number of share options	Year ended 31 December 2006 Weighted average exercise price (£)
Outstanding at the beginning of the year	**3,271,653**	**0.88**	2,982,355	0.97
Granted during the year	**–**	**–**	538,462	0.46
Forfeited during the year	**(792,282)**	**0.86**	(249,163)	1.14
Exercised during the year	**(147,599)**	**0.68**	–	–
Expired during the year	**–**	**–**	–	–
Outstanding at the end of the year	**2,331,772**	**0.89**	3,271,654	0.88
Exercisable at the end of the year	1,182,047	0.80	1,532,328	0.80

The above table excludes acquisition options granted to the vendors of Five Star Fish of 465,924 options at an exercise price of £1.44. These options are exercisable from May 2007 and fall outside the scope of IFRS 2 as they were granted before the transitional date of IFRS 2 (1 January 2006).

	2007 £'000s	2006 £'000s
IFRS 2 Fair value charge	**12.8**	18.8
Average share price	**57.0p**	65.8p

The inputs into the Black-Scholes option pricing model are as follows:

	2007	2006
Expected volatility	**35%**	35%
Expected life	**3 years**	3 years
Risk-free rate	**4.68%**	4.68%
Dividend yield	**Nil**	Nil
Estimated option uptake	**56.9%**	77.8%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

29. OPERATING LEASE ARRANGEMENTS

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Minimum lease payments under operating leases recognised as an expense in the year	**1,106**	969

At the balance sheet date the Group had annual commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2007 £'000s	2006 £'000s
Within 1 year	**182**	247
2–5 years	**575**	478
Over 5 years	**294**	329

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.

30. RELATED PARTY TRANSACTIONS

P G Ridgwell is a Director of The Real Good Food Company plc. P G Ridgwell, along with other family members, have a controlling interest in Napier Brown Holdings Ltd which in the year invoiced Napier Brown & Company Ltd, a subsidiary, for services amounting to £50,000 (2006 – £50,000). Napier Brown & Company Ltd also invoiced Napier Brown Holdings Ltd £50,000 (2006 – £50,000) in the year.

P W Totté and P C Salter are Directors of The Real Good Food Company plc; they were also Directors of Hill Station plc. Hill Station plc and its subsidiaries purchased goods totalling £185,000 (2006 – £3,000) from Napier Brown & Company Ltd in the year. As at the year end Hill Station plc and its subsidiaries owed Napier Brown & Company Ltd £16,625 (2006 – £Nil). P W Totté resigned as a director of Hill Station plc on 1 February 2007.

Napier Brown Foods Ltd was a former subsidiary of Napier Brown Ingredients Ltd. At the year end a loan note of £2,773,908 was owed to Napier Brown Ingredients Ltd in which P G Ridgwell, who is a Director of The Real Good Food Company plc during the year, has a beneficial interest. Accrued interest on the loan amounted to £648,000 (2006 – £385,000).

Transactions between the Company and its subsidiaries are as follows:

Trading transactions

	Purchase of goods	
	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Napier Brown & Company Ltd	**420**	383

Amounts owing to

	31 December 2007	31 December 2006
Napier Brown & Company Ltd	**40**	90

Napier Brown & Company Ltd is a related party because it is a 100% owned subsidiary of Napier Brown Foods Ltd which is a 100% subsidiary of The Real Good Food Company plc.

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

30. RELATED PARTY TRANSACTIONS (CONTINUED)

Loans to related parties

	31 December 2007 £'000s	31 December 2006 £'000s
Napier Brown & Company Ltd	**8,330**	6,293
Napier Brown Foods Ltd	**33,958**	36,018

The Group has provided loans to its subsidiary companies at rates which reflect the rates charged by its own bankers. Loans are repayable by six monthly instalments and interest is payable quarterly.

31. PENSIONS ARRANGEMENTS

The Company sponsors the Napier Brown Foods Retirement Benefits Plan which is a funded defined benefit arrangement.

The last full actuarial valuation of this scheme was carried out by a qualified independent actuary as at 1 April 2006 and updated on an approximate basis to 31 December 2007.

The total contributions made by the employer over the period have been £126,545. The current level of contributions is to continue until reviewed following the triennial valuation of the scheme due as at 1 April 2009. The best estimate of contributions to be paid by the employer to the scheme for the period beginning after 31 December 2007 is £97,740.

It is the policy of the Company to recognise all actuarial gains and losses in the year in which they occur outside the income statement and in the statement of changes in equity to the point at which the scheme is no longer in deficit.

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

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Defined benefit obligation at start of year	**17,808**	17,230
Interest cost	**909**	804
Actuarial losses (gains)/losses	**(1,803)**	375
Benefits paid, death in service insurance premiums and expenses	**(646)**	(601)
Defined benefit obligation at end of year	**16,268**	17,808

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

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Fair value of scheme assets at start of the year	**16,585**	16,079
Expected return on scheme assets	**1,093**	1,176
Actuarial gains/(losses)	**893**	(244)
Contributions by employer	**127**	175
Benefits paid, death in service insurance premiums and expenses	**(646)**	(601)
Fair value of scheme assets at end of the year	**18,052**	16,585

The actual return on the scheme assets over the year ending 31 December 2007 was £1,986,000 (2006 – £932,000).

31. PENSIONS ARRANGEMENTS (CONTINUED)

Total expense recognised in the income statement

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Interest on liabilities	**909**	804
Expected return on scheme assets	**(1,093)**	(1,176)
Total income	**(184)**	(372)

Gains (losses) recognised in statement of changes in equity

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s
Difference between expected and actual return on scheme assets: gain (loss)	**893**	(244)
Experience gains and losses arising on the scheme liabilities: gain	**464**	280
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities: gain (loss)	**1,338**	(655)
Amount not recognised in accordance with IAS 19 paragraph 58b	**(1,784)**	–
Total amount recognised in statement of changes in equity	**911**	(619)

Assets

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s	Year ended 31 December 2005 £'000s
Equities	**14,348**	11,417	11,790
Bonds	**2,847**	3,335	3,710
Property	**420**	357	–
Cash	**437**	1,476	579
Total assets	**18,052**	16,585	16,079

None of the fair values of the assets shown above includes any of the Company's own financial instruments or any property occupied by, or other assets used by, the Company.

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2007

31. PENSIONS ARRANGEMENTS (CONTINUED)

Assumptions

	Year ended 31 December 2007 % per annum	Year ended 31 December 2006 % per annum	Year ended 31 December 2005 % per annum
Inflation	**3.45**	3.25	2.85
Salary increases	**–**	–	–
Rate of discount	**5.80**	5.20	4.75
Allowance for pension in payment increases of RPI or 5% p.a. if less	**3.45**	3.25	3.00
Allowance for revaluation of deferred pensions of RPI or 5% if less	**3.45**	3.25	2.85
Allowance for commutation of pension for cash at retirement	**50% of max. allowance**	50% of max. allowance	Nil

The mortality assumptions adopted at 31 December 2007 imply the following life expectancies at age 65.

Male currently aged 40	23.2
Female currently aged 40	26.0
Male currently aged 65	21.9
Female currently aged 65	24.8

The expected long-term rates of return applicable at the start of each period are as follows:

	Year ended 31 December 2007 % per annum	Year ended 31 December 2006 % per annum	Year ended 31 December 2005 % per annum
Equities	7.50	7.50	8.50
Bonds	5.00	5.00	4.50
Property	6.00	6.00	–
Cash	4.50	4.50	4.00
Overall for scheme	**7.00**	**6.70**	**7.42**

Amounts recognised in the balance sheet

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s	Year ended 31 December 2005 £'000s
Present value defined benefit obligation	**16,268**	17,808	17,230
Fair value of plan assets	**(18,052)**	(16,585)	(16,079)
(Surplus)/deficit in plan	**(1,784)**	1,223	1,151
Amount not recognised in accordance with IAS 19 paragraph 58b	**1,784**	–	–
Deferred tax at 30%	**–**	(367)	(345)
Amount to be recognised	**–**	856	806

31. PENSIONS ARRANGEMENTS (CONTINUED)

Experience gains and losses

	Year ended 31 December 2007 £'000s	Year ended 31 December 2006 £'000s	Year ended 31 December 2005 £'000s
Fair value of assets	**18,052**	16,585	16,079
Defined benefit obligation	**(16,268)**	(17,808)	(17,230)
Surplus (deficit) in scheme	**1,784**	(1,223)	(1,151)
Experience adjustment on scheme assets	**893**	(244)	1,397
Experience adjustment on scheme liabilities	**464**	280	121
Effects of changes in the demographic and financial assumptions underlying the present value of the scheme liabilities	**1,338**	(655)	(2,139)

32. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

As described in Note 1 these financial statements are the first financial statements to be prepared for the Company and Group under International Financial Reporting Standards. The Group's date of transition is 1 January 2006, therefore the opening balance sheet for IFRS purposes is that reported at 31 December 2005 as amended for changes due to IFRS. The comparative figures have been prepared on the same basis and have therefore been restated from those previously prepared under UKGAAP.

Key changes in accounting policies

Business combinations

The Group has taken exemption not to apply IFRS 3 retrospectively to business combinations occurring prior to the date of transition to IFRS. Goodwill arising on acquisitions has been retained at its carrying value as at 1 January 2006, with the exception of the negative goodwill in the Bakery Division which has been written back to the income statement, and these values are subject to annual impairment reviews. Goodwill amortisation is no longer allowed under IAS 36, which has resulted in this charge being reversed in these accounts.

Intangible assets

The Group has applied IAS 36 and reclassified computer software from property, plant and equipment to Intangible assets.

Derived financial instruments

The Group uses forward currency contracts in order to reduce its exposure to currency fluctuations, due to exchange rate movements in its dealings with both customers and suppliers. The Group has applied IAS 39 and valued these instruments at their fair value at each balance sheet date, taking any gain or loss to the income statement.

The Group also has a number of interest rate swap contracts; these have also been valued at fair value and revalued at each balance sheet date.

Non-current assets held for resale

Under IFRS 5 any assets that the Group has decided are for sale have to be reclassified as a separate item under current assets. In 2005 a decision was made to dispose of the Runcorn property along with some of the plant and equipment at the site. Therefore the net book value of these assets was reclassified as held for resale in the 31 December 2005 balance sheet. The site was disposed of in October 2006; however some of the plant and equipment was retained for use in the business. These remaining assets were reclassified back into non-current plant and equipment and a depreciation adjustment has been put through to the December 2006 income statement.

Finance and operating leases

IAS 17 defines the distinction between an operating and a finance lease. The Group has reviewed all leases to consider whether they have been treated correctly within the definition. This review has led to some leases for forklift trucks to now be considered as finance leases, due to the term of the lease being considered to be for the major part of the asset's life. These assets have been capitalised and depreciated in accordance with the normal accounting policies of the Group.

32. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

Taxation

IAS 12 "Income Taxes" states that deferred tax must be provided in full using the liability method, on temporary differences arising between tax bases of assets and liabilities and their carrying amounts in the financial statements. Previously the Group applied FRS 19 which only recognised timing differences arising from the inclusion of gains and losses in tax assessments in periods different from when they were included in the financial statements.

UK GAAP to IFRS balance sheet conversions: total RGFC plc – December 2005

	As originally stated under UK GAAP £'000s	IAS 12 deferred Tax £'000s	Goodwill adjustment £'000s	IAS 39 Foreign exchange £'000s	Fixed assets (items for resale) £'000s	IAS 17 Leases £'000s	IAS 39 Interest rate swaps £'000s	Reclass-ification of intangibles £'000s	Restated under IFRS £'000s
Non-current assets									
Property, plant & equipment	18,451	–	–	–	(487)	71	–	(386)	**17,649**
Goodwill	88,724	–	98	–	–	–	–	–	**88,822**
Other intangible assets	–	–	–	–	–	–	–	386	**386**
Total non-current assets	**107,175**	**–**	**98**	**–**	**(487)**	**71**	**–**	**–**	**106,857**
Current assets									
Inventories	14,390	–	–	–	–	–	–	–	**14,390**
Trade and other receivables	29,870	–	–	–	–	–	–	–	**29,870**
Financial assets held for sale	–	–	–	–	487	–	–	–	**487**
Derived financial assets	–	–	–	38	–	–	25	–	**63**
Cash and cash equivalents	11,999	–	–	–	–	–	–	–	**11,999**
Total current assets	56,259	–	–	38	487	–	25	–	**56,809**
Total assets	**163,434**	**–**	**98**	**38**	**–**	**71**	**25**	**–**	**163,666**
Non-current liabilities									
Long-term financial liabilities	60,238	–	–	–	–	60	–	–	**60,298**
Deferred tax liabilities	143	45	–	–	–	–	–	–	**188**
Provisions	4,144	–	–	–	–	–	–	–	**4,144**
Total non-current liabilities	**64,525**	**45**	**–**	**–**	**–**	**60**	**–**	**–**	**64,630**
Current liabilities									
Financial liabilities	8,377	–	–	–	–	18	–	–	**8,395**
Derived financial liabilities	–	–	–	–	–	–	–	–	
Trade & other payables	23,995	–	–	–	–	–	–	–	**23,995**
Income tax liabilities	(396)	–	–	–	–	–	–	–	**(396)**
Total current liabilities	31,976	–	–	–	–	18	–	–	**31,994**
Total liabilities	**96,501**	**45**	**–**	**–**	**–**	**78**	**–**	**–**	**96,624**
Net assets	**66,933**	**(45)**	**98**	**38**	**–**	**(7)**	**25**	**–**	**67,042**
Shareholders equity									
Called up share capital	1,297	–	–	–	–	–	–	–	**1,297**
Share premium account	68,773	–	–	–	–	–	–	–	**68,773**
Other reserves	34	–	–	–	–	–	–	–	**34**
Retained earnings	(3,171)	(45)	98	38	–	(7)	25	–	**(3,062)**
Total equity	**66,933**	**(45)**	**98**	**38**	**–**	**(7)**	**25**	**–**	**67,042**

32. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (CONTINUED)

IAS Balance sheet: total RGFC plc – December 2006

	As originally stated under UK GAAP £'000s	IAS 12 Deferred tax £'000s	Goodwill adjustment £'000s	IAS39 Foreign exchange £'000s	Fixed assets (items for resale) £'000s	IAS 17 Leases £'000s	IAS 39 Interest rate swaps £'000s	Reverse goodwill amortisation £'000s	Reclass-ification of intangibles £'000s	Restated under IFRS £'000s
Non-current assets										
Property, plant & equipment	18,754	–	–	–	(90)	53	–	–	(531)	**18,186**
Goodwill	85,831	–	98	–	–	–	–	4,683	–	**90,612**
Other intangible assets	–	–	–	–	–	–	–	–	531	**531**
Total non-current assets	**104,585**	**–**	**98**	**–**	**(90)**	**53**	**–**	**4,683**	**–**	**109,329**
Current assets										
Inventories	14,685	–	–	–	–	–	–	–	–	**14,685**
Trade & other receivables	29,224	–	–	–	–	–	–	–	–	**29,224**
Financial assets held for sale	–	–	–	–	–	–	–	–	–	**–**
Derived financial assets	–	–	–	–	–	–	63	–	–	**63**
Cash and cash equivalents	12,412	–	–	–	–	–	–	–	–	**12,412**
Total current assets	**56,321**	**–**	**–**	**–**	**–**	**–**	**63**	**–**	**–**	**56,384**
Total assets	**160,906**	**–**	**98**	**–**	**(90)**	**53**	**63**	**4,683**	**–**	**165,713**
Non-current liabilities										
Long term financial liabilities	58,952	–	–	–	–	41	–	–	–	**58,993**
Deferred tax liabilities	826	298	–	–	–	–	–	–	–	**1,124**
Provisions	1,452	–	–	–	–	–	–	–	–	**1,452**
Total non-current liabilities	61,230	298	–	–	–	41	–	–	–	**61,569**
Current liabilities										
Financial liabilities	10,216	–	–	–	–	19	–	–	–	**10,235**
Derived financial liabilities	–	–	–	18	–	–	–	–	–	**18**
Trade & other payables	20,604	–	–	–	–	–	–	–	–	**20,604**
Income tax liabilities	629	–	–	–	–	–	–	–	–	**629**
Total current liabilities	31,449	–	–	18	–	19	–	–	–	**31,486**
Total liabilities	**92,679**	**298**	**–**	**18**	**–**	**60**	**–**	**–**	**–**	**93,055**
Net assets	**68,227**	**(298)**	**98**	**(18)**	**(90)**	**(7)**	**63**	**4,683**	**–**	**72,658**
Shareholders' equity										
Called up share capital	1,297	–	–	–	–	–	–	–	–	**1,297**
Share premium account	68,773	–	–	–	–	–	–	–	–	**68,773**
Other reserves	53	–	–	–	–	–	–	–	–	**53**
Retained earnings	(1,896)	(298)	98	(18)	(90)	(7)	63	4,683	–	**2,535**
Total equity	**68,227**	**(298)**	**98**	**(18)**	**(90)**	**(7)**	**63**	**4,683**	**–**	**72,658**

COMPANY INFORMATION

Directors:	P W Totté J F Gibson (resigned 20 September 2007) S H Heslop (appointed 12 July 2007) L M Camfield P C Salter P G Ridgwell C O Thomas
SECRETARY:	L M Camfield
REGISTERED OFFICE:	International House 1 St Katharine's Way London E1W 1XB
REGISTERED NUMBER:	4666282
AUDITORS:	Horwath Clark Whitehill LLP 10 Palace Avenue Maidstone Kent ME15 6NF
SOLICITORS:	Joelson Wilson & Co 30 Portland Place London W1B 1LZ
BANKERS:	The Royal Bank of Scotland plc as agent for National Westminster Bank plc Corporate & Structured Finance Office 280 Bishopsgate London EC2M 4RB Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (trading as Rabobank International, London Branch) Thames Court One Queenhithe London EC4V 3RC
COMPANY'S REGISTRARS:	Capita Registrars Proxy Department The Registry 34 Beckenham Road Beckenham Kent BR3 4TU 0871 664 0300 (calls cost 10p per minute plus network extras) 020 8639 339

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at College Hill, The Registry, Royal Mint Court, London, EC3N 4QN on 5 June 2008, at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions:

Ordinary resolutions

(1) To receive and consider the Directors' Report and accounts of the Company for the year ended 31 December 2007 and the auditors' report thereon.

(2) To re-elect as a Director, Patrick George Ridgwell, who retires by rotation.

(3) To re-elect as a Director, Christopher Owen Thomas, who retires by rotation.

(4) To formally acknowledge and approve the appointment of Stephen Harvey Heslop as a Director of the Company by whom has been appointed since the date of the previous Annual General Meeting of the Company.

(5) To re-appoint Horwath Clark Whitehill LLP as auditors and authorise the Directors to fix their remuneration.

(6) That for the purposes of section 80 of the Companies Act 1985 ("the Act") (and so that expressions used in this resolution shall bear the same meanings as in the said section 80):

(i) the Directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities up to a maximum nominal amount of £130,029 on such terms and at such times as they think proper during the period expiring at the end of the next Annual General Meeting of the Company to be held after the date of the passing of this resolution or, if earlier, 15 months from the date of the passing of this resolution; and

(ii) the Company be and is hereby authorised to make prior to the expiry of such period referred to in sub-paragraph (i) above any offer or agreement which would or might require relevant securities to be allotted after the expiry of the said period that the Directors may allot relevant securities in pursuance of any such offer or agreement notwithstanding the expiry of the authority given by this resolution;

so that all previous authorities of the Directors pursuant to the said section 80 be and they are hereby revoked provided that this resolution shall not affect the right of the Directors to allot relevant securities in pursuance of any offer or agreement entered into prior to the date hereof.

Special resolutions

(7) That, subject to Resolution 5 being passed, the Directors be and are empowered in accordance with Section 95 of the Act to allot equity securities (as defined in Section 94 of the Act) for cash pursuant to the authority conferred on them to allot relevant securities (as defined in section 80 of the Act) by that resolution, as if

Section 89 (1) of the Act did not apply to such allotment provided that the power conferred by this resolution shall be Ltd to:

(i) the allotment and issue of equity securities in connection with an issue or offering by way of rights in favour of holders of equity securities and any other persons entitled to participate in such issue or offering where the equity securities respectively attributable to the interests of such holders and persons are proportionate (as nearly as may be) to the respective numbers of equity securities held by or deemed to be held by them on the recorded date of such allotment subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws or requirements of any recognised regulatory body or any territory; and

(ii) the allotment (otherwise than pursuant to sub-paragraphs (i) above) of equity securities for cash up to an aggregate nominal value not exceeding £130,029 and this power, unless renewed, shall expire at the end of the next Annual General Meeting of the Company to be held after the date of the passing of this resolution or, if earlier, 15 months from the date of the passing of this resolution but shall extend to the making, before such expiry, of an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

By order of the Board

L M Camfield
Company Secretary

Registered office:
International House
1 St Katharine's Way
London
E1W 1XB

Dated: 5 May 2008

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Entitlement to attend and vote

1. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at:

> 6.00 pm on 3 June 2008; or

> if this Meeting is adjourned, at 6.00 pm on the day two days prior to the adjourned meeting,

shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3 . If you are not a member of the Company but you have been nominated by a member of the Company to enjoy information rights, you do not have a right to appoint any proxies under the procedures set out in this "Appointment of proxies" section. Please read the section "Nominated persons" below.

4. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.

5. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share.

6. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If you either select the "Discretionary" option or if no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

7. The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

> completed and signed;

> sent or delivered to the Company's Registrars, Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and

> received by the Registrar no later than 6pm on 3 June 2008.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxies through CREST

8. CREST members who wish to appoint a proxy or proxies by utilising the CREST electronic proxy appointment service may do so for the Meeting and any adjournment(s) thereof by utilising the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message must be transmitted so as to be received by the issuer's agent (ID) by 6pm on 3 June 2008. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointment of proxy by joint members

9. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

10. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

11. In order to revoke a proxy instruction you will need to inform the Company using one of the following methods by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In either case, the revocation notice must be received by Capita Registrars, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. no later than 48 hours before the date and time of the meeting.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Corporate representatives

12. In order to facilitate voting by corporate representatives at the Meeting, arrangements will be put in place at the Meeting so that:

(i) if a corporate member has appointed the Chairman of the Meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all the other corporate representatives for that member at the Meeting, then, on a poll, those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and

(ii) if more than one corporate representative for the same corporate member attends the Meeting but the corporate member has not appointed the Chairman of the Meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

Corporate members are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter to appoint the Chairman as a corporate representative as described in (i) above.

Issued shares and total voting rights

13. As at 6pm on 2 May 2008, the Company's issued share capital comprised 65,014,348 ordinary shares of 2 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6pm on 2 May 2008 is 65,014,348.

Website publication of audit concerns

14. Pursuant to Chapter 5 of Part 16 of the Companies Act 2006 (sections 527 to 531), where requested by either:

> a member or members having a right to vote at the Meeting and holding at least 5% of total voting rights of the Company; or

> at least 100 members have a right to vote at the Meeting and holding, on average, at least £100 of paid up share capital,

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

the Company must publish on its website, a statement setting out any matter that such members propose to raise at the Meeting relating to the audit of the Company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the Meeting.

Where the Company is required to publish such a statement on its website:

> it may not require the members making the request to pay any expenses incurred by the Company in complying with the request;

> it must forward the statement to the Company's auditors no later than the time the statement is made available on the Company's website; and

> the statement may be dealt with as part of the business of the Meeting.

A member wishing to request publication of such a statement on the Company's website must send the request to the Company in hard copy form to the Company Secretary Lee Camfield at International House, 1 St Katherine's Way, London, E1W 1XB. The request must be signed by you.

The request must:

> either set out the statement in full or, if supporting a statement sent by another member, clearly identify the statement which is being supported; and

> be received by the Company at least one week before the Meeting.

Nominated persons

15. If you are a person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (Nominated Person):

> You may have a right under an agreement between you and the member of the Company who has nominated you to have information rights (Relevant Member) to be appointed or to have someone else appointed as a proxy for the Meeting

> If you either do not have such a right or if you have such a right but do not wish to exercise it, you may have a right under an agreement between you and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights

> Your main point of contact in terms of your investment in the Company remains the Relevant Member (or, perhaps, your custodian or broker) and you should continue to contact them (and not the Company) regarding any changes or queries relating to your personal details and your interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from you.

Documents on display

16. The following documents will be available for inspection at the Company's head office International House, 1 St Katherine's Way, London, E1W 1XB (during normal business hours (Saturdays, Sundays and public holidays excepted)) from 6 May 2008 until the day before the Meeting and for at least 15 minutes prior to the Meeting and during the Meeting at College Hill, The Registry, Royal Mint Court, London EC3N 4QN:

> Copies of the service contracts of Executive Directors of the Company.

> Copies of the letters of appointment of the Non-Executive Directors of the Company.

Design: Bladonmore Design,London +44 (0)20 76311 155
This document is printed on a paper made using virgin fibre sourced from FSC certified forests.
It can be disposed of by recycling, incineration for energy recovery or is biodegradable.

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