Real Good Food plc

Cake Decoration • Food Ingredients

Annual Report and Accounts
For the year ended 31 March 2019

Stock code: RGD

Cake Decoration

Food Ingredients

The Group's current objective:

To deliver a return on investment for all our stakeholders.

The Group's current strategy:

To improve our profitability by focusing on and investing in our areas of competitive advantage, whilst partnering with our customers to enhance the consumer experience.

www.realgoodfoodplc.com

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Overview

Financial highlights

- Revenue from continuing businesses decreased by 3.4% from £63.8 million to £61.6 million.
- During a period of significant transition, the Group managed to deliver an adjusted EBITDA* of £1.9 million against a loss of £0.3 million in the prior year, despite a 3.4% decline in revenue.
- The two remaining divisions, Cake Decoration and Food Ingredients are profitable (before impairment charges) and cash generative; generating an adjusted EBITDA* of £5.8 million before central costs.
- Central costs have been materially reduced during the year by £1.3 million, with further reductions after the period end.
- Goodwill has been impaired this year by £18.7 million (2018: Nil), to reflect the value today of the remaining businesses.
- Bank term debt has largely been repaid; invoice discount financing materially reduced.
- Net debt stood at £ 35.7 million (2018: £37.8 million), being predominantly shareholder loans, of which £9.6 million is in the form of convertible loan notes.

Operational highlights

- During the year, Garrett Ingredients, Haydens Bakery, R&W Scott and Chantilly Patisserie sold with cash proceeds of £18 million, utilised in debt reduction and working capital.
- Capacity of Food Ingredients facility has been increased by 9% in the year ended 31 March 2019, with a further 91% increase in the current year-to-date, following completion of their capital investment programme. At the time of writing, Brighter Foods, the largest company within the Food Ingredients division, can sell whatever it has the capacity to make.
- Appropriate Board structure now in place in line with our commitment to improved corporate governance.

Post-period end events

- Fine of £0.3 million paid following AIM Disciplinary Notice pertaining to failings of corporate governance in and prior to 2017.

Current Trading

- Current trading is in line with our modest expectations.
- Cake Decoration has an improved capital base and operating structure, reflective of the turnaround underway. Focus is now on strengthening customer relationships and growing sales. Early progress evident although the UK retail sector continues under pressure to rationalise its supplier base.
- Brighter Foods has increased capacity significantly since the period end, on the back of demand from existing and new customers. This bodes well for the division to outperform its modest expectations.
- The Group remains focused on continuing to improve its results, and reduce net debt.

GROUP REVENUE

£61.6m

2018
£63.8m

GROSS PROFIT

£18.0m

2018
£17.9m

GROUP EBITDA (adjusted) Profit/(Loss)*

£1.9m

2018
£(0.3)m

*See note 5 for reconciliation.

Financial information presented relates to continuing operations.

The Group in Summary

Real Good Food now operates in just two areas or divisions – Cake Decoration and Food Ingredients.

The divisions

Cake Decoration and Food Ingredients operate as stand-alone businesses, with their own infrastructures and management teams. Given the two businesses operate in discrete market sectors, the areas of overlap are few, but where there might be mutual advantage to collaborate, then those opportunities will be explored.

Head Office

The central functions have reduced markedly since the period under review, and now comprise, in addition to the plc Board, Finance and Information Services, providing support to the businesses as required. Each business generally has the resources to operate as a stand-alone unit, but clearly, each is able to call upon the centre or the other businesses as required.

Real Good Food

Cake Decoration • Food Ingredients

Cake Decoration	Food Ingredients	Head Office
REVENUE £46.4m	REVENUE £15.2m	HEAD OFFICE
EBITDA Profit (adjusted)* £3.0m	EBITDA Profit (adjusted)* £2.8m	EBITDA (Loss) (adjusted)* £(3.9)m
OPERATING (LOSS) £(17.3)m	OPERATING PROFIT £1.2m	OPERATING (LOSS) £(5.4)m
EMPLOYEES 376	EMPLOYEES 194	EMPLOYEES 15

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*See note 5 for reconciliation

Cake Decoration

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

Renshaw: Liverpool, 335 employees

Rainbow Dust Colours: Preston, 31 employees

Renshaw Europe: Liverpool, 6 employees

Renshaw Americas: New Jersey, 4 employees

Food Ingredients

Brighter Foods manufactures snack bars, both branded and own label, targeted at areas such as diet control, gluten free, lactose free, low or no added sugar, sports nutrition, organic and fair trade.

Brighter Foods: Tywyn, Wales, 194 employees

Chairman's Statement

Overview

I am pleased to report that over the past financial year, Real Good Food has made significant progress. It is now a focused Group of two businesses, both of which are profitable at adjusted EBITDA level and cash-generative – having changed from what, at the start of the previous year, had been an unprofitable, cash-absorbing Group of six businesses with little clear strategic direction.

During the year, we sold Garrett Ingredients, Haydens Bakery, R&W Scott and Chantilly Patisserie, with proceeds of some £18 million, reduced central costs by £1.3 million, secured £1 million of funding through an over-subscribed open offer and £9.4 million from major shareholders, We have rectified the corporate governance failings of the previous years, including introducing two new Independent Non-Executive Directors onto the Board. The prospects of the two remaining businesses have also been improved. Brighter Foods has grown its customer base and, through the excellence of its development and product offering, has secured new blue-chip business, whilst the Cake Decoration business, after an independent examination of its customer relationships, has defined a set of strategies which will guide it clearly through the coming years.

None of this was achieved without financial pain and the Group's income Statement for the past year clearly bears testament to the cost of the transformation – the combination of one-off charges (a sizeable impairment charge recognised in the year and significant items) amounted to some £20.4 million (2018: £4.0 million). Your Group is now, however, in a far stronger position, strategically and operationally, where it can look forward with confidence to the future and to rewarding the patience and forbearance of its many stakeholders. It is important to note that the underlying adjusted EBITDA of the continuing businesses during the year to March 2019 improved by £2.2 million, from a negative £0.3 million to a positive £1.9 million (see note 5); we believe this is a fair indication of the progress being made in restoring the Group to a sustainably profitable business.

Dividend

As with previous years, the Board is not recommending the payment of a dividend for the year. The focus is on investing in the growth of Brighter Foods and the turnaround of Cake Decoration in order to deliver the best possible returns for shareholders.

Board changes

There have been significant changes made to the board since the last Annual Report. Steve Dawson and myself joined the Board as Independent Non-Executives in September and August 2018 respectively. Steve now chairs the Remuneration Committee. I took over the chair role from Pat Ridgwell at the start of June, having previously chaired the Audit Committee since joining. The Audit Committee is now chaired by Judith MacKenzie. Harveen Rai stepped down as CFO in March 2019 and has been replaced by Maribeth Keeling who assumed the role last month. Maribeth retains her role as Finance Director of Cake Decoration. I am also pleased to welcome to the Board Anthony Ridgwell who joined at the end of May 2019, replacing his father, Pat Ridgwell. Chris Thomas, after many years of service, stepped down from the Board at the end of July and I would like to thank Chris for his years of service.

The result of these changes is that the Board now has a much better balance between Executive, Non-Executive and Independent Non-Executive Directors, which will be of benefit as the Group continues its transformation process to create shareholder value.

Corporate Governance

On 30 May 2019, the AIM regulator issued a Disciplinary Notice, censuring the former Board for a number of failures in corporate governance which had occurred in the period up to July 2017; the Group paid the accompanying £0.3 million fine from its existing financial resources. The Group regrets these breaches and fully understands and accepts the importance of sound corporate governance and complying with the AIM Rules. It cooperated fully with the London Stock Exchange's enquiry and, the former Chairman and two other Directors had already left the Group by the time of the censure.

Importantly in this context, having announced its intention to do so in September 2017, the Board has undertaken significant remedial action, including enhancing the Group's procedures, resources and controls, adopting new corporate governance and implementing new financial processes and procedures. This included the appointment of two new, independent Board members.

Strategy

The details of the Group's strategy are set out in more detail later in the Strategic Review, but, in summary, the Group now has two stand-alone business units which are leading in their chosen markets and have the potential to deliver better quality profits and are already cash-generative. Management actions are being taken within Cake Decoration to rebuild customer relationships and trust, by improving product quality and dependability, improving operational efficiencies further and growing sales in the UK and internationally. The recent appointment of Steve Moon as Chief Executive of Cake Decoration should accelerate these improvements. Food Ingredients is meeting the challenges of scaling up its production, its sales and of broadening its customer base.

Outlook

We are fully committed to improving the Group's financial performance and reducing its debt burden. The Board is confident that the actions being taken by management are the right ones and that, together with the investments we have made, they should deliver benefits in the coming year, strengthen the Group's profitability and begin to reduce the debt burden.

Mike Holt
Non-Executive Chairman

15 August 2019

Strategic Review

2018/19 performance

Revenue from continuing businesses declined slightly from £63.8 million to £61.6 million, with Food Ingredients seeing a reduction of £0.9 million and Cake Decoration's sales down by £1.2 million overall. The former principally resulted from the short-term restriction of sales owing to operational issues arising from the expansion of capacity to accommodate significant growth in the future, underlying demand for the division's products remained strong throughout the period. Cake Decoration was impacted by the loss of one significant customer which unfortunately more than offset the revenue growth accomplished elsewhere within the division. The combined effect of lost sales and extra costs incurred in the capacity expansion resulted in a reduction in underlying adjusted EBITDA for Food Ingredients (continuing) from £3.7 million to £2.8 million. In Cake Decoration, underlying adjusted EBITDA increased from £1.1 million in 2018 to £3.0 million in 2019, despite the loss of the customer referred to above.

Over the last two accounting periods, significant costs (both cash costs and non-cash costs) have been recognised in the turnaround of the business – restructuring costs necessary to align central resources with the anticipated, smaller size of the group, for example, losses on disposal of non-core businesses and impairment charges where future forecast profitability could not sustain the value of goodwill recognised some years ago. These have now all been recognised, and the Board's intention is to ensure that such turnaround costs are now a thing of the past; most importantly, the remaining businesses are profitable at an adjusted EBITDA level and they both generate cash. The Group's central resources have been pared back to minimal levels and opportunities are continually sought to reduce these further, consistent with good governance. The Group retains higher levels of shareholder debt than is ideal, debt on which the coupon was determined in less profitable times, and this interest burden, almost all of which is rolled-up, will remain for the foreseeable future.

	31 March 2019 £'000s	31 March 2018 £'000s
Loss before taxation of continuing businesses	**(26,090)**	(9,078)
Depreciation of property, plant and equipment	**1,573**	1,431
Impairment charge	**18,675**	–
Amortisation of intangibles	**1,454**	1,737
Significant items	**1,717**	4,008
Finance costs	**4,406**	1,424
Other finance costs	**166**	164
EBITDA (adjusted) Profit/(Loss)	**1,901**	(314)

Capital structure

During the course of the financial year, the Group formally stabilised its funding structure. During July and August 2018, principally through the provision of shareholder loan notes convertible into equity in the sum of up to £8.8 million, provided by our three major shareholders (Napier Brown, Omnicane and Downing LLP client funds), supplemented by an oversubscribed open offer for £1 million, the long-term survival of the Group was assured, albeit with a significant interest coupon attaching, and details of those loans, and other funding sources, are set out in note 23. These financial restructuring arrangements were approved at a general meeting of shareholders in August 2018.

Although the Board believes the Group's level of debt outstanding remains higher than a business such as Real Good Food should have, given its business model, the presence of bank debt within the Group was restricted to asset-backed finance held by J F Renshaw and its invoice discounting facility; as at 31 March 2019 there was no bank term loan outstanding. At the same time, the Group's balance sheet retains a significant tangible asset base, goodwill that has been written down to realistic levels, and has net assets significantly in excess of the Group's current stock market capitalisation. This is an important measure in establishing the Group's financial worth in the future.

Operating performance and outlook

For each component of the very much simpler group, we have set budgets for the year. So far, the performance of each of the businesses is well aligned with the board's expectations and central costs are also in line. The Cake Decoration market in the UK, particularly in the retail sector, is proving increasingly competitive but we are confident that we can leverage the fund of experience and expertise we have to deliver what our customers need and want. The Cake Decoration business has recently welcomed a new Chief Executive, Steve Moon, whose experience of the sector and business improvement credentials are such that we have high hopes of his continuing the successful implementation of the newly articulated strategy for that business. The Food Ingredients division's growth plans are also now well in train under well-established, experienced management and the future for both businesses looks justifiably bright. The uncertainties of Brexit for the business community continue, of course, and we are mindful that the Cake Decoration business has European operations which may be impacted.

After two challenging years in the period to 31 March 2019, the board wishes to thank all the Group's and businesses' stakeholders for their understanding and patience to date. We are now entering a period when the rewards for that patience should start to become evident.

Strategic Review (continued)

Group strategy

In the Report and Accounts last year, we explained that the Board's strategy was to implement a turnaround plan for the Group by focusing on its core assets and that the first phase of the plan had broadly been delivered, through business disposals, some refinancing, cost reductions and implementation of normalised accounting policies. As an important part of our determination to improve the profitability and cash generation of the core assets, we undertook a formal process, with third party involvement, of understanding our customers' perception of the Cake Decoration business and setting a refreshed and invigorated strategy for that division. We identified areas of strength and weakness and have set in motion processes to address each. The strategy for the Food Ingredients division continues to be relevant and focused on delivering great products for our customers, as evidenced by the significant potential for growth in that business. After investing £3.2 million in that business over the past year, its capacity has doubled and, such is the quality of the product coming out of its Tywyn facility, that the only current constraint on sales is the business's ability to make the product.

It was a part of the role of any Group staff to work appropriately with the management of each business to help improve its performance, in its efforts to increase the return on the considerable investment that has been made in recent years. As the number of businesses has decreased, therefore so has the level of Group central resource, such that each business is now self-sufficient. Central resources are now therefore limited to functions that relate to finance and general management.

Summary and Outlook

After a very difficult period in the Group's history and a great deal of corporate activity, Real Good Food plc now comprises two divisions, with clearly articulated objectives and defined strategies to accomplish those objectives. We believe we now have the leadership, the senior management and the resources capable of delivering a further uplift in performance from both businesses, and a substantially lower central cost base more fit for purpose.

In the new financial year to date, current trading from the two remaining, robust and profitable businesses is in line with our modest expectations for the year. The Group remains focused on continuing to improve its results and on reducing net debt, as well as continuing to support the business's strategy and thereby to increase shareholder value and returns.

We have made significant progress in our corporate governance regime, and now have in place an appropriate board structure, balanced as to Executive, Non-Executive and independent Non-Executive Directors. The Board is grateful for the continued support of all stakeholders who have shown confidence in the Group during the past year and will make every effort to retain the positive momentum which is now clearly evident in the underlying businesses. The Board is confident in the future prospects for the Group as a whole.

Marketplace Review

The Group operated in two main divisions: Cake Decoration and Food Ingredients. Our brief perspective on the major trends in each division follows.

Cake Decoration

The Group's Cake Decoration division comprises; Renshaw in the UK, USA and Europe and Rainbow Dust Colours.

The home baking category is worth a significant £800 million* at RSP (Retail Selling Price), although it declined 1% year on year, and continues to have a high penetration of all households; it is a category visited by 91% of all shoppers.

This reflects a sector with high levels of interest and user engagement. Home bakers are continually looking for inspiration in the media – on TV with programmes such as Extreme Cake Makers and The Great British Bake Off where more than 7 million people tuned into watch the final; and through social media sites such as Pinterest, Instagram and Facebook where there lives a real community of home bakers and cake decorators. Renshaw and Rainbow Dust will invest in developing real innovation to the market to continue to lead new trends in the cake decorating sector and invest in communication in the digital world to educate and inspire new and experienced cake decorators of all levels.

Food Ingredients

The Group's Food Ingredients division comprises; Brighter Foods.

One of the key trends in the huge food ingredients sector is towards an ever-greater emphasis on healthy eating. Health considerations are now prevalent throughout the food chain, and have been for many years, with some 29% of all in-home food purchases cited as being driven by health considerations*. Brighter Foods is especially well positioned to benefit from consumer choice migrating from confectionery to healthy snack bars; the whole of this latter market is said now to be worth over £360 million at RSP.

*Kantar data

Divisional Business Review

Real Good Food

Cake Decoration

2018/19 Performance

In a transitional year, the result for Cake Decoration was encouraging in that the division delivered a significantly improved underlying adjusted EBITDA performance, despite overall challenging consumer demand and trading conditions, control of overhead expenditure and the realignment of resources from Group to Cake Decoration.

At the overall market level, consumer demand for Cake Decorating products in the Company's core market, the UK, was in slight decline at minus 1% year on year, but there was some improvement in the key seasonal trading period in the last three months of the year when market volumes increased by 2%.

In the UK, where all the division's manufacturing facilities are located, sales in the wholesale and retail distribution channels were down on prior year with the decision of one significant customer in retail to move production in-house, accounting for a year-on-year reduction of £1.6 million in revenue, while sales within the manufacturing channel grew by 8%, and sales to the Company's sister Company in the USA, increased by £2.4 million, reflecting increased customer demand and some limited re-stocking in that market.

Following the establishment of a USA-based warehouse, to fulfil orders for North America and an increase in customer demand, sales in North America grew by a healthy 22%. A review of the order fulfilment model for Continental Europe customers was also completed, resulting in the closure of the Brussels warehouse and office. Order fulfilment for Continental Europe customers is now handled by the Company's main customer service and warehouse operation based in Liverpool. The change was well executed with the customer base retained and sales down by only 3% when compared with prior year, reflecting increased competition and some economic uncertainty rather than the change in distribution model.

A new line to produce convenience formats of Renshaw's core product, rolled icing, was fully operational, delivering increased throughput and lower costs and a new soft icings plant became fully commissioned with the first orders for UK retailer own label frostings being produced.

An independent customer survey was undertaken, which in turn, led to a comprehensive review of the Company's strategic plans. The survey acknowledged the strength of the Renshaw brand, its heritage and that for many customers it was seen as a "must stock" brand. The survey also highlighted the key areas that the Company needed to address to further secure its position in the market and grow. Principally these were in the areas of new product proposition development, customer service and the performance reliability of product. A comprehensive strategic plan and associated schedule of actions was drawn up to address each of the areas highlighted.

Related to the customer feedback, a review of the Company's sales and operations planning process was undertaken with the help of a specialist consultancy. The resultant process redesign and associated structure changes have been implemented and are already providing customer service and inventory benefits.

Forward plans

The business continues to implement its strategic plans, arising from the strategic review referred to above. These are focused on reducing reliance on the Company's core product line, ready-to-roll icing, by developing a wider range of products within the cake decoration category. The products developed and made available will be rooted in genuine consumer insight and seek to address consumer concerns and needs in the areas of convenience, health, the environment and providing accessible inspiration. The Company's marketing activities are also being aligned in one function and reorganised to support the revised strategy.

REVENUE
£46.4m
EBITDA Profit
(adjusted)*
£3.0m
OPERATING LOSS
£(17.3)m

In addition to product and marketing initiatives, the Company is making progress in engaging with its key customers to provide a more consultative approach to the overall cake decorating category through the better use of bought-in market data, insight generation and application and digital media content.

The B2B division continues to see and capitalise on significant opportunities to leverage its long-standing industry knowledge and expertise to help cake manufacturers through the provision of reliable core products. It also continues to identify new customers for products such as caramel and mallow in rapidly growing emerging categories, such as the snack bar market.

Export growth is focused on North America where detailed strategies for three principal areas have been identified and recruitment is underway to ensure we have sufficient resource and expertise to implement plans. The US operation will agree closer distribution partnerships with key industry players throughout the year.

Following changes to the order fulfilment model for Europe, the business will continue to evaluate how it best serves its European customer base, seeking constantly to improve customer service and product availability.

Ensuring the supply of consistently high-quality product remains the key imperative for the Company; as a result of which there is now an active quality improvement programme across the entire business. In addition to continuous improvement and preventative measures, the programme involves acquiring the leading scientific understanding of the products manufactured by the Company to ensure it stays ahead of the competition.

12 months to March	2019 £m	2018 £m
Revenue	**46.4**	47.6
EBITDA (adjusted)*	**3.0**	1.1
Impairment charge	**(18.7)**	–
Operating (loss)/profit	**(17.3)**	(1.0)
Operating (loss)/profit %	**(37.3%)**	(2.1%)

*See note 5 for reconciliation.

Real Good Food

Food Ingredients

2018/19 Performance

During the period under review, this division has undergone significant change; at the start of the year, it comprised three businesses, R&W Scott, Garrett Ingredients and Brighter Foods; the first two of these were sold during the year and only Brighter Foods remained as part of the Group by the end of the year. Brighter Foods was acquired in April 2017 and creates, develops and manufactures snack bars for the healthy snacking market from its factories in Tywyn, Gwynedd in mid Wales. Brighter Foods is a multi-award-winning company which produces snacks which are targeted at areas such as diet control, gluten free, lactose free, low or no added sugar, sports nutrition, organic and fair trade and its manufacturing capabilities, even before recent expansion, are highly regarded throughout the industry. As well as manufacturing partner-branded products, Brighter Foods has its own healthier brands such as Wild Trail, which is stocked in retailers and health food stores.

Brighter Foods itself also saw significant change in growing its capacity by 9% in the year ended 31 March 2019, with a further 91% increase in the current year-to-date, to accommodate newly acquired business and in preparation for further growth in the new financial year. Some £3.2 million was invested in new capacity and the workforce grew substantially from 160 people to 297, both of which transformations posed their own short-term challenges. The impact of this rapid, albeit planned and wholly welcome expansion, was felt through a short-term reduction in sales, as the operational changes were implemented and the new staff were trained and brought up to speed. The result is that Brighter Foods is now a larger business, with a more diverse customer base and the ability to grow further without more significant investment. The last year has also seen a controlled growth in the professional overhead base of the business, in anticipation of the increasing demands of its blue-chip clients, but the business retains its well-run, entrepreneurial spirit and continues to go from strength to strength.

During the period under review, as was announced in early March 2019, the dispute regarding the non-supply of contracted sugar, to Garrett Ingredients which had been outstanding for over a year, was satisfactorily resolved, broadly in line with the provision made within last year's accounts.

REVENUE
£15.2m
EBITDA Profit
(adjusted)*
£2.8m
OPERATING PROFIT
£1.2m

12 months to March	2019 £m	2018 £m
Revenue	**15.2**	16.1
EBITDA (adjusted)*	**2.8**	3.7
Operating profit	**1.2**	2.1
Operating profit %	**7.8%**	12.8%

*See note 5 for reconciliation.

Forward plans

Following the disruption from the implementation of changes necessary for the future growth of the business during 2018/19, Brighter Foods, well-positioned as it is in the health and wellness market, anticipates a resumption of the growth in revenue which has characterised every other year of the business since its formation in 2014.

Finance Review

Revenue

Group revenue the continuing businesses for the 12 months ending 31 March 2019 was £61.6 million (2018: £63.8 million), a decrease of 3.5% on the revenue to 31 March 2018. This results from reductions in Cake Decoration of £1.2m (2.6%) and in Food Ingredients of £0.9m (5.9%). The decrease in Cake Decoration came principally from the loss of one significant customer, whereas the Food Ingredients division reduction was driven mainly from the practical difficulties arising out of the implementation of new plant and equipment and the simultaneous, rapid increase in people numbers.

Profit measure on operations

Gross profit on the continuing businesses for the overall Group was £18.0 million (2018: £17.9 million). At 23.7%, the delivered margin in the year, for the continuing businesses, was above the prior year of 23.0% and significantly above that reported for the whole group in the prior year of 14.9%, strongly indicative of the improved quality of earnings for the Group as a whole. Delivered margin is defined as gross profit less costs of delivery.

The operating loss in the year of £21.5 million is reported after an impairment charge of £18.7 million (see note 16), depreciation and amortisation charge of £3.0 million and significant costs of £1.7 million.

After finance costs of £4.6 million and the inclusion of a £6.2 million loss from the discontinued operations, this results in a loss after tax for the year of £32.0 million (2018: loss of £26.6 million). This equates to a basic loss per share of 28.64 pence on continuing operations (restated at 11.82 pence in 2018) and a loss per share of 6.85 pence on discontinued operations (restated to 23.76 pence in 2018) (see note 15).

Cash flow and net debt

Shares issued in the year and additional loans to 31 March 2019 amounted to £10.4 million, of which £7.7 million of cash was used in investing activities and £2.7 million of cash was used in operating activities.

Pension scheme

The Group offers a defined contribution scheme for all current employees that is funded on a monthly basis. In addition, the Company operates a defined benefit scheme that was closed to new members in 2000. The defined benefit scheme is the Napier Brown Retirement Pension Plan (the Plan). The IAS 19 pension schemes valuation reported a gross deficit at 31 March 2019 of £7.4 million (2018: restated to £7.9 million). The Plan assets increased by £0.3 million to £13.8 million (2018: £13.5 million) and the Plan liabilities are £21.2 million compared to £21.4 million at 31 March 2018. The 2017 and 2018 deficit has been restated in relation to certain pension increases which were previously being considered discretionary. The correction has been adjusted via brought forward reserves from 2017, thus matching the cost and benefit, rather than taken in the current period accounts. See note 31 for further details.

Dividend

The Directors, considering the Group's performance and cash resources, do not recommend the payment of a final dividend for the year ended 31 March 2019 (2018: nil).

12 months to March	2019 £m	2018 £m
Revenue	**61,560**	63,788
Gross profit	**18,027**	17,904
Delivered margin	**14,612**	14,680
Delivered margin %	**23.7%**	23.0%
EBITDA (adjusted)* (loss)	**1,901**	(314)
Operating loss before impairment and significant items	**(1,126)**	(3,482)
Operating loss after impairment and significant items	**(21,518)**	(7,490)
Operating loss %	**(35.0%)**	(11.7%)
Loss before tax	**(26,090)**	(9,078)

All figures refer to continuing businesses.

*See note 5 for reconciliation.

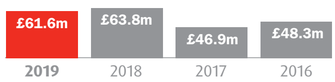
Key Performance Indicators

The Board monitors a range of financial and non-financial key performance indicators, reported on a regular basis, to measure the Group's performance. The key performance indicators, all based on continuing operations, are set out below. The Board has reviewed these key performance indicators and considers they remain appropriate.

COMMENT

REVENUE GROWTH

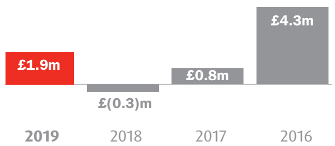
Revenue is calculated for continuing business and is from external sources only.



Revenue in the year decreased by 3.5%. This arises partially from disruption associated with carefully managed growth in Food Ingredients and partially from the loss of a significant customer in the Cake Decoration division. The sustainable quality of the revenue is regarded as important.

EBITDA (ADJUSTED)

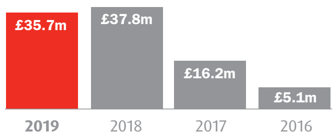
EBITDA (adjusted) is defined as earnings before significant items, interest, tax depreciation, amortisation and impairment charges.



The EBITDA (adjusted) profit was £1.9 million as against a loss in the prior year of £0.3 million.

NET DEBT

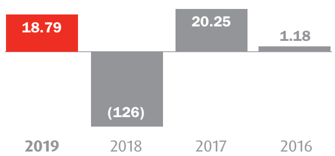
Net debt is the total Group borrowings less cash at bank.



Net debt in the year has reduced to £35.7 million; these funds were required to fund the Group's investment plan, its divisional performance and the significant one-off costs incurred in the year.

DEBT COVER

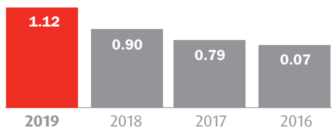
Debt cover is calculated by dividing total net debt by continuing EBITDA (adjusted).



As a result of reduced net debt and EBITDA (adjusted) profits in the year net debt: EBITDA (adjusted) cover stands at 18.79.

ACCIDENT FREQUENCY RATE

The accident frequency rate is the number of RIDDOR accidents per 100,000 hours worked.



A higher number denotes a higher risk.

Corporate Social Responsibility

Real Good Food plc recognises its responsibility to, and how much it benefits from, the communities of which it is a part, and embracing its corporate social responsibility is therefore an important part of building long term sustainable businesses in our group. Notwithstanding that it was a difficult year for the Group, we continued to play our part with our stakeholders and in our communities.

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

The Responsible Business Framework that was in put in place during 2016 has three key objectives:

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

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

During 2018/19, Renshaw raised £3,961 for our local charity, KIND – which helps children and their families cope with the effects of disadvantage and poverty – through sponsored activities such as bike rides, raffles and a parachute jump. The business also raised funds for MacMillan supporting the coffee morning initiative and for Children in Need. The business continues to work with another local charity, The Whitechapel Centre – a homelessness and housing charity – through the winter, by supplying food and clothes donated by employees for the homeless in Liverpool.

Our team at Rainbow Dust Colours raised £385 for the Alzheimer's Society by holding an Elf day in the run up to Christmas, money was raised through running fun elf activities on site.

Brighter Foods recognise the importance of their role as the largest employer in the locality of Tywyn and play an active part in the community. During 2018/19, Brighter Foods donated a large number of Read Write Inc books and teaching materials to Ysgol Craig Y Deryn, a local primary school, for example.

During the hot summer of 2018, the company also provided local farmers with empty containers to help bring water to their livestock when other water sources dried up. A large number of used empty plastic tubs were donated to the Borth Wild Animal Kingdom to be reused by the zoo-keepers and animals.

Brighter Foods continues to sponsor Monmouth RFC (who have been promoted twice in consecutive seasons) and also Tywyn/Bryncrug FC. The company also continues to sponsor and support the annual Kymin Dash race in Monmouth and the Race the Train event in Tywyn as well as the Dyfi Enduro mountain biking event near Tywyn. A team from Brighter Foods took part in Ysgol Uwchradd Tywyn, the local secondary school's "Sporting Challenge' event raising funds for some of the pupils' annual trip to Morocco. As part of Heart Awareness week, Brighter Foods also provided free CPR training in the town's cinema hall for members of the local community.

Brighter Foods donated £2,697 to the above causes in the period.

Health and safety

Commentary 2018/19

- After a period of rapid expansion, involving intensive training of staff new to the business, Brighter Foods have appointed a full-time professional Health and Safety Manager. Reporting of health and safety issues has already improved within the business and details of the Health and Safety performance are now reported to the Group plc board each month.
- Renshaw experienced a number of accidents and incidents during the year reflecting the introduction of a large number of new employees in the business.

2019/20 Priorities

- We must maintain and improve our legal compliance and health and safety performance in our stand alone businesses – an appropriate periodic audit process is being implemented to help ensure improving standards in this important area.
- Targeting a reduction in the number of incidents in both Brighter's and Renshaw's operational HSE performance.

Risk Management

The risks the Group faces relate to events, and depend on circumstances, that may or may not occur in the future. The Board recognises that risks and uncertainties could affect the delivery of its strategic objectives. The past year has seen significant improvements within the Group's governance and, with the appointment of an independent Chair of the Audit Committee, the development of a risk management framework became an area of focus. The principal risks of the Group as a whole are set out below, in no particular order of priority.

Demand for products and market share

Many factors affect the level of consumer spending in the food industry and consumer preferences and spending habits change through factors that are difficult to predict, including lifestyle, nutritional and health considerations. The Group has expertise in the categories within which it operates and builds on shopping insights to predict a change in trends and develop new products for changing habits. The business disposals during the period and the acquisition of Brighter Foods were examples of the Group's focusing on the added value health sector and away from sectors where we could not establish effective competitive advantage.

The Group may experience increased competition from existing or new companies, especially at a time when the major retailers may experience more difficult trading conditions. The Group's sales fluctuate seasonally, with products sold during Christmas and Easter accounting for a significant portion of the Group's overall revenue. The Group maintains close relationships with its existing customer base and continues to develop research-led innovative products. To reduce dependency on the UK further, the Group has focused on growing its market share in selected export markets.

Macroeconomic environment and Brexit

The Group has no control over fluctuations in the longer-term price and availability of ingredients and there remains uncertainty over the exit from the EU. The Group manages the impact of commodity price inflation and foreign exchange through natural hedging.

Regulations and safety

Food safety, environmental protection and employee health and safety are constantly evolving areas of responsibility for the business, and subject to increasing regulation at home and abroad. Any incident could have an impact on the Group's reputation and customer confidence. The individual businesses of the Group have responsibility for ensuring that safe standards are maintained.

Pension liabilities

The Group operates a now-closed defined benefit pension scheme which exposes the Group to changes in investment returns, discount rates, life expectancy and inflation. Although the Group currently expects to be able to meet its obligations under the pension scheme, the funding of the scheme exposes the Group to further risks.

Working capital

In order for the Group to have sufficient working capital for its needs, it has historically been dependent upon significant financial support from its major investors, the disposal of businesses, and central profit improvement initiatives. The Board regularly monitors the Group's cash position. The Directors, after due consideration, have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the next 12 months.

Regulatory and legal

The company has previously acknowledged, and recently been fined for, failings in corporate governance in a variety of areas. These failings resulted in censure from the regulatory authorities and a substantial fine of £300,000. Considerable steps have been taken to rectify the failings and ensure no repetition. The company is currently not aware of any continuing regulatory interest in these past events, but is not relaxing its more rigorous regime in any sense. Following the corporate governance review carried out by Ernst & Young during the prior year, the vast majority of the resulting recommendations have been implemented in their entirety.

This report was approved by the Board on 15 August 2019 and is signed on its behalf by

Hugh CL Cawley
Chief Executive Officer

Board of Directors

Mike Holt Non-Executive Chairman

Appointed 30 May 2019, having been Non-Executive Director since joining the Board on 7 August 2018.

Mike has significant public company board and financial experience. He was CFO of Low & Bonar PLC, an international performance materials Group, between 2010 and 2017. Prior to that, he was CFO of Vp plc, the specialist equipment rental group, for over six years from 2004. Before joining Vp, Mike held senior financial positions within Rolls-Royce Group in the UK, USA and Hong Kong. He is a fellow of The Institute of Chartered Accountants in England and Wales and a member of The Association of Corporate Treasurers. Mike qualified as a Chartered Accountant with Arthur Andersen. Mike is also a Non-Executive Director, and chair of the audit and risk committee, of Schroders Asian Total Return Investment Trust Company plc, and a Non-Executive Director at nmcn plc. In addition, Mike is a Trustee and Director of Hollybank Trust Ltd. and The Nottingham Hospice Ltd.

Hugh C L Cawley
Chief Executive Officer and Company Secretary

Appointed Interim Chief Financial Officer and Company Secretary on 22 March 2019, following the resignation of Harveen Rai

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

Maribeth Keeling Chief Financial Officer

Appointed 15 July 2019

Maribeth has considerable public company experience, having specialised particularly in the turnaround and performance improvement of various companies in a variety of sectors, and has worked predominantly in listed entities (main market and AIM), but also in private companies and the not-for-profit sector. Maribeth retains her role as Finance Director of the Cake Decoration division.

Jacques d'Unienville Non-Executive Director

Jacques has nearly 20 years' experience of sugar and related industries (independent power production, waste and environment management and renewable energy) in France, the Seychelles and Mauritius. He is the CEO of Omnicane and the chairperson of Omnicane Thermal Energy Operations (La Baraque) Ltd and Omnicane Thermal Energy Operations (St. Aubin) Ltd. He has served as president of the Mauritius Sugar Syndicate and as president of the Mauritius Sugar Producers' Association.

Judith A MacKenzie Non-Executive Director

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

Steve Dawson Non-Executive Director

Appointed 19 September 2018

Steve has extensive experience of the food and beverage industry, both in the UK and in North America, from both advising clients on how to improve and build their businesses and from practising such skills himself. He is currently the Managing Director and founder of BrandGrowth LLC, a consultancy focused on advising food and beverage brands on how to achieve their growth strategies. From August 2016 to May 2018, Steve was Interim CEO of Bahlsen North America, stabilising the business and setting it well on the path for successful growth. Prior to founding BrandGrowth, Steve had enjoyed success as the CEO of Walkers Shortbread Inc for nearly nine years and had spent eight years as Managing Director of Food From Britain North America.

Anthony Ridgwell Non-Executive Director

Appointed 30 May 2019

Anthony Ridgwell, aged 47, has been working within the Napier Brown group of companies since leaving university. He is also a director of Napier Brown and of Napier Brown Holdings Limited where he deals with and manages their investments.

Harveen Rai Finance Director and Company Secretary

Resigned 22 March 2019

Harveen has 20 years' experience, predominantly in fast-moving consumer goods listed companies. She was previously Chief Financial Officer at Aryzta UK Holdings Limited, where she was involved in implementing and streamlining the processes and controls of the company. Prior to Aryzta, Harveen spent over ten years working at LSG Sky Chefs, a global airline catering company which is owned by Lufthansa. Harveen is a member of the Chartered Institute of Management Accountants.

Patrick Ridgwell Interim Non-Executive Chairman

Resigned 30 May 2019

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

Christopher Thomas Non-Executive Deputy Chairman

Resigned 31 July 2019

Chris qualified as a Chartered Accountant in 1969. In 1973 he joined Breakmate, a vending business, which was admitted to the Unlisted Securities Market in 1984. He joined the Napier Brown Foods Group in 1992 as Group Finance Director and was involved in the day-to-day operations of the Group before becoming Chief Executive Officer of Napier Brown Foods. Chris has announced his intention to stand down from the Board by 31 July 2019.

Resignation and appointment dates as registered at Companies House.

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 March 2019.

Corporate governance

The Board is very clear that, historically, the standards of corporate governance and reporting were below those which investors might reasonably have expected and has taken steps to rectify this important aspect of operations and disclosure. The Board appointed specialist external advisors from Ernst & Young to conduct a full review of the Group's corporate governance and financial reporting procedures in early 2018, since which time their recommendations have been implemented.

The Board recognises the importance of good corporate governance, and welcomes the changes to the AIM Rules which require the adoption of a recognised governance code, and how the principles of that code are complied with. We have elected to adopt the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') which we believe has been constructed in a simple, practical and effective style and that meaningful compliance with its 10 main principles should provide shareholders with confidence in how the Group operates.

Below shows each principle, and how the Group complies:

Principle	How Real Good Food plc complies
1. Establish a strategy and business model which creates long-term value for shareholders.	The objective and strategy of any Group will be influenced by events and the recent history of the Group has clearly shaped our current objective. It is our intention to deliver a return on investment for all our shareholders, providing a stable financial platform through improving the profitability of the Group as a whole and its constituent businesses. The execution of the strategy to date has seen the disposal of four of our businesses, Garretts Ingredients, Haydens Bakery, R&W Scott and Chantilly Patisserie. In all cases the value to the Group from their sale, and the benefits to other stakeholders, were estimated to be greater than the value to be realised from retention and executing a turnaround. The two remaining businesses are guided in their daily operations by clear objectives and articulated strategies, such strategies being updated as necessary on a regular basis.
2. Seek to understand and meet shareholder needs and expectations.	The Board has representation of a large proportion of its shareholder base – they can, and do, communicate the thoughts and requirements of the shareholders regularly. Contact details of Executive Directors are made available to other shareholders who wish to make contact. This is actively encouraged. The Board receives share register analysis reports to monitor the shareholder base and identify the types of investors on the register. All shareholders are invited to attend the AGM and Directors make themselves available before and after the meeting for further discussion.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.	The Group regards its shareholders, employees, customers, suppliers and advisors as all being important parts of the wider stakeholder group. Management clearly places particular importance on its day-to-day relationships with customers and staff, with significant effort directed to ensuring these are managed appropriately. Regular individual employee reviews are undertaken to ensure any issues are addressed promptly. An independent review of the relationship of one of the key businesses with its customers was commissioned during the year, for example, to learn what we can about the need for improvement in that important sphere. The Group records customer service levels – OTIF (on time in full), for example. There is a feedback system in place for service levels and issues raised can be addressed.

Report of the Directors (continued)

Principle	How Real Good Food plc complies
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.	A risk register has been compiled by the Audit Committee, detailing the risks identified within the divisions, and the Group as a whole. It is regularly updated, and is presented at Board meetings for discussion each time a change has been made, or bi-annually, whichever is the shorter period.
5. Maintain the Board as a well-functioning, balanced team led by the Chair.	Following further changes to the Board since the year end, the Board, chaired by Mike Holt, currently comprises two Executive and six Non-Executive Directors. As chairman, Mike is primarily responsible for the Group's approach to corporate governance and the application of the principles of the QCA Code. Steve Dawson and Mike Holt are the Group's independent Directors. Each Board member commits sufficient time to fulfil her or his duties and obligations to the Board and the Group. Each Director attends monthly Board meetings and joins ad hoc Board discussions as necessary. The Board is supported by its Audit Committee and its Remuneration Committee. The plc Board meets at least once a month, with additional meetings held as and when required. The Audit and Remuneration Committees meet at least twice a year.
6. Ensure that between them the Directors have all appropriate experience, skills and capabilities.	The descriptions on page 14 identify each member of the Board and describes her or his relevant experience, skills and qualities. The Chairman and the Board as a whole believes that the Board has a more than sufficient and suitable mix of experience, skills and competence which covers all the disciplines essential to bring a balanced perspective to enable the Group to deliver its objective. The Board is currently comprised of two Executive Directors and six Non-Executive Directors, two of whom are independent and comprises six men and two women, ranging in age from their mid-40s to early 70s. Updates to members of the Board on regulatory matters are given by Board members themselves where appropriate and/or by Group's professional advisors.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	Against the background of the articulated objective for the Group, the performance of the Board as a whole may be judged in due course, through the eventual attainment of financial measures, including adjusted EBITDA, operating cash flow and net debt.
8. Promote a corporate culture that is based on ethical values and behaviours.	The Board recognises that the values it espouses provide the framework which influences all parts of the Group. The Chief Executive Officer takes the lead in developing the corporate culture and looks to encourage all employees to contribute to the enjoyment and success of the business, the formulation of the tactics to deliver the objective and strategy and to the promulgation of the core values. The Human Resources team have long promoted the Group's values which underpin conditions of employment. The Board believes that, although the difficulties of the past have dented the culture of confidence, we now have the leadership capable of engendering the environment which will rebuild the successful team atmosphere.
9. Maintain governance structures and processes that are fit for purpose and support good decision making by the Board.	The Executive Board members generally have clear overall responsibility for managing the day-to-day operations of the Group and the Board as a whole is responsible for monitoring performance against the Group's goals and objectives. The roles of the Audit Committee, the Remuneration Committee and the Board of Directors are clearly defined within this report.
10. Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	The Group strives to maintain a regular dialogue with stakeholders including shareholders to enable any interested party to make informed decisions about the Group and its performance. The Board believes that greater transparency in its dealings offers a level of comfort to stakeholders and an understanding that their views will be heard and considered appropriately.

A number of changes were made during the period under review, and shortly after, to improve the independence and corporate governance structure of the Board.

On 7 August 2018, the Board was strengthened by the appointment of Mike Holt as an Independent Non-Executive Director and chair of the Audit Committee, succeeding Christopher Thomas in this latter role, and on 19 September 2018, Steve Dawson joined the Board as a second Independent Non-Executive Director. With effect from 22 March 2019, Harveen Rai stood down as CFO. Maribeth Keeling was appointed to the role of CFO on 15 July 2019. With effect from 30 May 2019, Patrick Ridgwell, the Interim Non-Executive Chairman, retired from the Board and was succeeded as Non-Executive Chairman by Mike Holt; Judith MacKenzie, was appointed Chair of the Audit Committee and relinquished her role as Chair of the Remuneration Committee which was assumed by Steve Dawson, and Anthony Ridgwell joined the Board as a Non-Executive Director. At the same time, Christopher Thomas, the Non-Executive Deputy Chairman, announced his intention to retire from the Board not later than 31 July 2019.

The Board meets once per month and reviews the performance of the business at each meeting. The Board has delegated certain responsibilities to the Audit and Remuneration Committees, details of which can be found on pages 19 and 20.

Resignation and appointment dates as registered at Companies House

Statement of Directors' responsibilities

The statutory Directors are responsible for preparing the Strategic Report, the Report of the Directors, other information included in the Annual Report and the financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the statutory Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards "IFRSs" as adopted by the EU and applicable law.

Under company law, the statutory Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the Company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

Going concern

The Directors have considered the Group's business activities together with the factors likely to affect its planned future performance. The forecasts, agreed with the businesses, consider reasonable possible changes in trading performance and these assumptions have been projected and shared with the Group's advisors.

The principal shareholders of the Group have shown considerable support for the working capital requirements and, having carefully considered the liquidity of the Group and Company in line with the current strategy and future performance, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the next 12 months and therefore continue to adopt the going concern basis in preparing the consolidated financial statements.

Provision of information to auditor

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

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

Principal continuing activities

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

Business review and future developments

These topics are covered in detail within the Strategic Review and Divisional Reviews on pages 5, 6, 8 and 9.

Non-current assets

Details of changes in non-current assets are given in notes 16–20 to the financial statements.

Directors

During the financial year, and shortly after its close, a number of changes took place to the Board. The Board was initially strengthened by the appointment of Mike Holt as an Independent Non-Executive Director and chair of the Audit Committee, succeeding Christopher Thomas in this latter role; Steve Dawson joined the Board as a second Independent Non-Executive Director. After the period end, Patrick Ridgwell, the Interim Non-Executive Chairman, retired from the Board and was succeeded as Non-Executive Chairman by Mike Holt; Judith MacKenzie, was appointed Chair of the Audit Committee and relinquished her role as Chair of the Remuneration Committee which was assumed by Steve Dawson, and Anthony Ridgwell joined the Board as a Non-Executive Director. At the same time, Christopher Thomas, the Non-Executive Deputy Chairman, announced his intention to retire from the Board, which he did at the end of July 2019. Harveen Rai stood down as CFO and Maribeth Keeling was appointed as CFO in July. Details of the Directors are given on page 14.

Report of the Directors (continued)

Substantial interests

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

31 March 2019	% Holding in ordinary share capital
NB Ingredients Limited	22.3%
Omnicane International Investors Limited	20.8%
Downing LLP	7.9%
Mr J & Mrs S O'Driscoll	5.6%

Directors' indemnities

The Company has paid £20,440 (2018: £22,880) in respect of Directors' and Officers' Indemnity Insurance.

Financial instruments

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

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Group also has some currency exposure to its commodity purchases which is offset in part by foreign currency sales.

The Board reviews and agrees policies, which have remained substantially unchanged for the period under review, for managing these risks. Full details of the Group's financial assets and liabilities are set out in note 25 to the financial statements.

Liquidity risk

Short term flexibility is available through existing bank facilities.

Employee involvement

The Group aims to improve the performance of the organisation through the development of its employees. Their involvement is encouraged by a variety of means including team working, team briefings, consultative committees and working parties.

Equal opportunities

The Group continues to embrace and champion the principles of equality of opportunity and diversity in all aspects of employment. During the year, our employment policies and procedures have been reviewed to ensure best practice continues to be adopted, and we continue to apply those principles to enable a workplace which is free from discrimination and where development opportunities are open to all. The Group also encourages an active approach to those who require additional support in order to achieve their potential.

During the year, the Group's second gender pay report was published, providing added guidance for future development plans and activities, particularly in terms of leadership. Through our Leadership Framework we look forward to creating the opportunities for developing greater diversity throughout our management structures in the future.

Charitable and political donations

During the current financial period the Group made charitable donations of £2,697 (2018: £3,237). No political donations were made during the current or previous financial period.

This report was approved by the Board on 15 August 2019 and is signed on its behalf by

Hugh CL Cawley
Chief Executive Officer

Director	Eligible to attend	Meetings attended
Mike Holt	8	7
Hugh Cawley	12	12
Harveen Rai	11	11
Christopher Thomas	12	11
Patrick Ridgwell	12	9
Jacques d'Unienville	12	10
Judith MacKenzie	12	12
Steve Dawson	7	7

The above table sets out the number of Directors' meetings held during the year and the eligibility and attendance by members of the Board.

Audit Committee Report

Audit Committee Report

With effect from January 2018, Christopher Thomas had assumed the role as Chair of the Audit Committee, pending the appointment of an appropriately qualified independent Non-Executive Director. On the appointment of Mike Holt to the Board on 7 August 2018, the Committee then comprised Mike Holt (as Chair) and Christopher Thomas. Collectively, they had the skills and experience required to discharge their duties fully and Mike Holt meets the requirement of recent and relevant financial experience. Since 30 May 2019, Mike Holt stood down as Chair of the Committee and Judith MacKenzie was appointed as Chair of the Audit Committee; as Partner and Head of Public Equity at Downing LLP, Judith has the relevant and recent financial experience. Christopher Thomas stood down from the Committee when he left the Board on 31 July, 2019.

The Committee is scheduled to meet formally twice a year with the auditor, in relation to the annual and interim accounts, but in addition, the Chairman of the Committee also maintains a close dialogue with them throughout the year to ensure they remain apprised of relevant events. The Audit Committee met on three occasions during the year. Executive Directors are ordinarily present at Committee meetings by invitation only, with the CFO ordinarily attending. The Committee's primary role is to ensure the integrity of the financial reporting and audit process and the maintenance of sound internal control and risk management systems. It is responsible for monitoring and reviewing:

- the integrity of the Group's financial statements and any formal announcements relating to its financial performance;
- the Group's internal financial controls and internal control and risk management systems;
- the effectiveness of the external audit process and making recommendations to the Board on the appointment, reappointment and removal of the external auditor;
- the policy on the engagement of the external auditor to supply non-audit services; and
- taking specific responsibility for certain key areas of risk management to support the Board's role in overseeing an enterprise-wide approach to risk identification, management and mitigation.

The past year has seen significant improvements to the governance regime throughout the Group, through the implementation of the recommendations of the review carried out by Ernst & Young during early 2018, notably appointing two independent Non-Executive Directors to the Board, one of whom is now appointed Chairman, and the other of whom chairs the Remuneration Committee; setting out matters reserved for the Board; improvements in reporting to the Board, financial accounting and reporting and strategic planning. The Committee seeks to ensure continual improvements in the Group's governance in order to be and remain compliant with the QCA's Code of Best Practice for small to medium sized companies.

The Audit Committee reviewed a wide range of financial reporting and related matters in respect of the Company's Annual Report prior to their consideration by the Board. Reports highlighting key accounting matters and significant judgements were also received from BDO LLP in respect of the year end financial statements and discussed by the Committee. In particular, these included the significant judgement areas of the impairment of goodwill and the going concern basis of accounting.

The following table sets out the number of Audit Committee meetings held during the year, and the attendance by committee member:

Director	Meetings attended
Mike Holt	3
Christopher Thomas	3

Description of Risk	Overview of Risk	Company response
Asset Impairment	The Group now has £50.4 million of goodwill, relating to excess of consideration paid to the fair value of acquisitions, and £18.2 million of property, plant and equipment, and intangible assets. The carrying value of goodwill is reviewed at least annually to check that it is not in excess of its recoverable amount. The value of property, plant and equipment and intangible assets are stated at cost less accumulated depreciation or amortisation and impairment losses.	Cash flow projections for each Cash Generating Unit "CGU" have been prepared and reviewed, which take into account current market conditions and the long-term growth expectations for the key markets served by the CGUs. A sensitivity analysis was also applied to stress test the assumptions and future economic value of assets. These resulted in the impairment of £18.7m of goodwill carried forward from previous years, and no impairment of property, plant and equipment. The Audit Committee discussed the underlying assumptions, and discount rates used, with both management and BDO LLP. Following discussion of headroom and sensitivity, the Committee was satisfied that, these adjustments having been made, the carrying values are appropriate.
Going Concern	Given the losses incurred by the Group, and its level of indebtedness, the assumption of going concern has been subject to challenge.	The Board has critically reviewed the planned future performance of the Group and its cash flows and funding. Following a number of disposals, the refinancing of the Group and the deferral of shareholder loan note repayments, the Committee and the Board, as a whole, is satisfied that a going concern approach is fully justified.
Disclosure of Related Party Transactions	There have historically been a number of related party transactions in relation to former Directors that were not properly disclosed in the relevant accounts.	The Committee critically reviewed related party transaction disclosures and discussed these with the Board, management and BDO LLP to ensure that all appropriate disclosures have been made.

Remuneration Committee Report

Remuneration Committee Report

Judith MacKenzie was Chair of the Remuneration Committee throughout the period, and Pat Ridgwell and Jacques d'Unienville were also members of the Remuneration Committee throughout the year. At the time of the appointment of Steve Dawson in September 2018, Mike Holt and he were then appointed members, ensuring that the Committee included two Independent Directors. On 30 May 2019, the Remuneration Committee's composition became Steve Dawson, as Chair, Judith MacKenzie, Jacques d'Unienville and Mike Holt.

The Committee believes that its primary role is to:

- determine and agree with the Board the framework of remuneration for the group of Executives within its remit;
- ensure that effective performance management systems are in place to assess the performance of the Executives and the Company;
- set the remuneration for the plc Directors, selected senior management and the Company Chairman;
- oversee the implementation and operation of short term and long-term incentive arrangements for senior management; and;
- agree the policy for authorising claims for expenses from the Chairman and plc Directors. The Directors' remuneration policy aims to align the interests of all shareholders and management. The framework recognises the need to recruit, retain and appropriately incentivise high-calibre individuals to deliver the strategy set by the Board.

This report outlines the base salary, pension, benefits and long term incentive plans, where appropriate of all Board Executives.

Directors' remuneration

On her departure from the Group, Harveen Rai, Finance Director, received her contractual entitlement to pay in lieu of notice, and a bonus of £45k in recognition of her role in the turnaround of the business. Hugh Cawley's salary was reviewed during the year, in light of the challenges facing the Group, and brought in line with market norms; he was also paid a bonus of £250k in recognition of the role he has played in the turnaround of the business. The salaries of the Executive Directors are benchmarked against other AIM-listed businesses of a similar size and complexity.

Non-Executive Director remuneration

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

The Non-Executive Directors are not eligible to participate in the Company's performance related bonus plan, long term incentive plans or pension arrangements. Full terms and conditions for each of the Non-Executive Directors are available at the Company's registered office during normal business hours and will be available at the AGM prior to the meeting and during the meeting. Current Directors' base salaries and fees are disclosed in note 11.

The following table sets out the number of Remuneration Committee meetings held during the year, and the attendance by committee member:

Director	Meetings attended
Judith A MacKenzie	2
Patrick Ridgwell	2
Mike Holt	1
Steve Dawson	2
Jacques d'Unienville	1

Independent Auditor's Report

to the members of Real Good Food plc

Opinion

We have audited the financial statements of Real Good Food plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the consolidated statement of comprehensive income, consolidated statement of changes in equity, company statement of changes in equity, consolidated statement of financial position, company statement of financial position, consolidated cash flow statement, company cash flow statement and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How We Addressed the Key Audit Matter in the Audit
Pension Scheme Assumptions We consider there to be a significant risk concerning the appropriateness of the actuarial assumptions applied in calculating the group's defined benefit pension scheme liability of £7.4 million (2018: £7.9 million) as shown in Note 31. This is also considered in Note 2 (accounting policies) and Note 3 (estimates and judgements). The valuation of the group's pension scheme liability was performed by the group's external actuary and involves significant judgement from the directors and the actuary in the choice of discount rate used and in the key sources of estimation uncertainty, in particular in relation to the inflation assumptions and mortality rates, as described in the group's accounting policies.	We assessed the appropriateness of the assumptions underpinning the valuation of the scheme assets and liabilities. Specifically we challenged the discount rate, inflation and mortality assumptions applied in the calculation by using our auditor engaged pension specialists to benchmark the assumptions applied against comparable third party data and assessed the appropriateness of the assumptions in the context of the group's own position. **Key observations** Based on our audit work, we considered the assumptions used in the calculation of the pension liability are within an acceptable range.

Independent Auditor’s Report
to the members of Real Good Food plc

Key Audit Matter	How We Addressed the Key Audit Matter in the Audit
Disposal Accounting As described in Note 32, throughout the year the group disposed of two of its main trading subsidiaries (Haydens Bakery Limited, R&W Scott Limited), sold the trade and assets of another trading subsidiary (Real Good Food Ingredients Limited (formerly Garrett Ingredients Limited) and sold RGF Patisserie Limited. We focused on this area due to the significance to the group of the disposals and due to the potential for error in the disposal accounting, which contained several adjustments to consider in addition to the closing balance sheet. Due to the significance of the disposals, there is also a risk that the disclosures in the financial statements do not contain all information required by the standards.	We reviewed the sale and purchase agreements entered into and used these to assess the appropriateness of the directors’ accounting treatment. We tested the components’ statement of financial positions at the relevant date of disposal to ensure cut off around the sale was correctly treated. We also ensured any disposal adjustments had been correctly considered by management. We verified the disposal accounting, including checking that costs of disposal had been included and any deferred consideration recognised appropriately. We also ensured the sale proceeds had been received into bank. We considered the disclosures regarding the disposals in the financial statements to ensure that they were adequate and in line with accounting standards. **Key observations** Based on the procedures we performed, the disposal accounting and associated disclosures are considered to be in line with applicable accounting standards and materially reflect the transactions.

Key Audit Matter	How We Addressed the Key Audit Matter in the Audit
Going Concern The group incurred a net loss of £32.0 million during the year ended 31 March 2019. Furthermore, the group incurred a negative operating cash flow of £2.7 million during the year. The group had cash of £2.9 million and borrowings of £38.6 million as at the year end. Within the borrowings of £38.6 million are shareholder loans of £27.2 million which at the 31 March 2019 year end were due for repayment in June 2020 or earlier. The above factors necessitated further assessment of whether it is appropriate for the group and the parent company to continue preparing the consolidated financial statements on a going concern basis. We considered this to be a key audit matter because management's assessment involves significant assumptions and judgements which are based on their best estimates, analysis of the current market conditions and the group's performance.	Our audit procedures included obtaining and examining management's business plan until March 2021, which is also used as a basis for the discounted cash flow model in the impairment assessment of goodwill and other non-current assets. We examined the cash flow forecasts as well as considered downside sensitivities to these. We challenged management's assumptions used in the forecast period by considering available evidence, including recent and past performance, to support these assumptions. We also reviewed the renegotiated financing arrangements in relation to borrowings from shareholder loans, of which the amounts previously due in June 2020 have now been extended to May 2021. **Key observations** Our observations are covered in the conclusions relating to going concern section of our audit report.

Key Audit Matter	How We Addressed the Key Audit Matter in the Audit
Asset impairment Given the loss incurred during the year, there were indicators of impairment of the group's non-current assets. This relates to goodwill, investments and tangible fixed asset balances. The impairment assessments resulted in an impairment charge processed for goodwill (£18.7 million in relation to Cake Decorations and £0.9 million in relation to Real Good Food Ingredients – see Note 16). This is also considered in Note 2 (accounting policies) and Note 3 (estimates and judgements). We focused on this area as the directors exercise significant judgement in determining the underlying assumptions used in impairment reviews, including the future results of the business and the discount rate applied to the forecasted future cash flows.	We examined the assumptions and forecasts made by the directors to assess the recoverability of the carrying amount of goodwill, investments and tangible fixed asset balances. We focused on the appropriateness of CGU identification, methodology applied to estimate recoverable amounts, discount rates and forecast cash flows. Specifically: ○ We compared the methodology applied in the value in use calculation with the relevant accounting standard and checked the mathematical accuracy of management's model. ○ We checked that the cash flow forecasts used in the valuation are consistent with the information used by the board. ○ We challenged management on their cash flow forecasts and the growth rates for 2019/20 and beyond by considering evidence available to support these assumptions, their consistency with findings from other areas of our audit, and by performing a sensitivity analysis. ○ We used our valuation experts to assist us in assessing the discount rate and long-term growth rates applied within the model. **Key observations** Based on the audit procedures above we did not find any material misstatements in the calculation of the impairment provisions or the need for any further provisions.

Our application of materiality

We consider materiality to be the magnitude by which misstatements, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group materiality	£428,000 (2018: £500,000)
Basis for materiality	0.6% of Revenue from continuing operations (2018: 0.4% of Revenue)
Rationale for benchmark adopted	As the group is loss making in the current and prior year, a profit based measure was not considered suitable to be used. Revenue was concluded to be the most suitable benchmark due to this being one of the headline figures in the financial statements and a key consideration in the finance review by the directors.

In considering individual account balances and classes of transactions we apply a lower level of materiality in order to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality. Performance materiality was set at £257,000 (2018: £300,000), representing 60% of materiality. The performance materiality threshold was unchanged from the prior year and was chosen due to a significant number of areas of the financial statements subject to high levels of estimation.

Our audit work on each component was executed at levels of materiality applicable to each individual entity which was lower than group materiality. Component materiality ranged from £51,000 to £278,000 (2018: £2,000 to £375,000). Parent company materiality was £107,000 (2018: £350,000).

We agreed with the audit committee that we would report to the committee all individual audit differences identified during the course of our audit in excess of £13,000 (2018: £15,000). We also agreed to report differences below these thresholds that, in our view, warranted reporting on qualitative grounds.

An overview of the scope of our audit

Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.

In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we determined that there were four (2018: six) significant components for the purposes of the group audit. The audit of all of the significant components was performed by ourselves and a full scope audit was performed in each case.

For the remaining components within the group that were not fully scoped in for group audit purposes, we performed an audit of the complete financial statements of four further components due to statutory local requirements. In relation to the remaining non-significant components, we performed audit procedures on specific accounts within those components that we considered had the potential for the greatest impact on the significant accounts in the financial statements, either because of the size of these accounts or their risk profile.

As a consequence of the audit scope determined, we achieved the following approximate coverage of:

	Full scope audits and audit of significant components disposed of	Specific procedures on non significant components disposed of	Total coverage
Revenue	78%	11%	99%
Gross profit	77%	10%	87%
Net assets	99%	n/a	99%

Independent Auditor's Report
to the members of Real Good Food plc

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the parent company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent company and the parent company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Gary Harding (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
Manchester
15 August 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Statement of Comprehensive Income

Year ended 31 March 2019

	Notes	**12 months ended 31 March 2019 £'000s**	12 months ended 31 March 2018 (restated*) £'000s
Revenue	4, 5	**61,560**	63,788
Cost of sales		**(43,533)**	(45,884)
Gross profit		**18,027**	17,904
Distribution expenses		**(3,415)**	(3,223)
Administrative expenses		**(15,738)**	(18,163)
Operating loss before impairment and significant items		**(1,126)**	(3,482)
Impairment charge	16	**(18,675)**	–
Significant items	6	**(1,717)**	(4,008)
Operating loss after impairment and significant costs	8	**(21,518)**	(7,490)
Finance costs	9	**(4,406)**	(1,424)
Other finance costs	10	**(166)**	(164)
Loss before tax		**(26,090)**	(9,078)
Income tax credit	14	**349**	613
Loss from continuing operations		**(25,741)**	(8,465)
Loss from discontinued operations	32	**(6,243)**	(18,100)
Net loss		**(31,984)**	(26,565)
Attributable to:			
Owners of the parent		**(32,321)**	(27,099)
Non-controlling interests		**337**	534
Net loss		**(31,984)**	(26,565)
Items that will or may be reclassified to profit or loss			
Foreign exchange differences on translation of subsidiaries		**(32)**	61
Items that will not be reclassified to profit or loss			
Actuarial gains/(losses) on defined benefit plan	31	**441**	(599)
Tax relating to items which will not be reclassified	20	**(75)**	100
Other comprehensive gain/(loss)		**334**	(438)
Total comprehensive loss for the year		**(31,650)**	(27,003)
Attributable to:			
Owners of the parent		**(31,987)**	(27,537)
Non-controlling interests		**337**	534
Total comprehensive loss for the year		**(31,650)**	(27,003)

*The result for the year ended 31 March 2018 has been restated to reflect the change in continuing and discontinued operations.

	Notes	**12 months ended 31 March 2019 £'000s**	12 months ended 31 March 2018 (restated*) £'000s
Basic and diluted loss per share – continuing operations	15	**(28.64)p**	(11.82)p
Basic and diluted loss per share – discontinued operations	15	**(6.85)p**	(23.76)p

*Earnings per share for the year ended 31 March 2018 has been restated for a prior period adjustment to remove the effect of non-controlling interests, which were included in the figures to 31 March 2018 in error. It has also been restated to reflect the change in continuing and discontinued operations.

The notes on pages 32 to 75 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 March 2019

	Issued Share Capital £'000s	Share Premium Account £'000s	Other Reserves £'000s	Share Option Reserve £'000s	Foreign Translation Reserve £'000s	Retained Earnings £'000s	Total £'000s	Non–Controlling Interest £'000s	Total Equity £'000s
Balance as reported at 31 March 2017	1,411	122	–	415	(48)	84,818	**86,718**	–	**86,718**
Restated brought forward retained earnings (note 31)	–	–	–	–	–	(1,479)	**(1,479)**	–	**(1,479)**
Restated balance at 31 March 2017	1,411	122	–	415	(48)	83,339	**85,239**	–	**85,239**
Total comprehensive loss for the year									
Loss for the year	–	–	–	–	–	(27,099)	**(27,099)**	534	**(26,565)**
Other comprehensive loss for the year	–	–	–	–	61	(499)	**(438)**	–	**(438)**
Total comprehensive loss for the year	–	–	–	–	61	(27,598)	**(27,537)**	534	**(27,003)**
Transactions with owners of the Group, recognised directly in equity									
Shares issued in the year	158	2,598	–	–	–	–	**2,756**	–	**2,756**
Share based payments	–	–	–	(5)	–	–	**(5)**	–	**(5)**
Deferred tax on share based payments	–	–	–	(100)	–	–	**(100)**	–	**(100)**
Long-term liabilities	–	–	(4,796)	–	–	–	**(4,796)**	–	**(4,796)**
Acquisition of majority interest	–	–	–	–	–	–	**–**	1,269	**1,269**
Total contributions by and distributions to owners of the Group	158	2,598	(4,796)	(105)	–	–	**(2,145)**	1,269	**(876)**
Balance as at 31 March 2018 (restated)*	**1,569**	**2,720**	**(4,796)**	**310**	**13**	**55,741**	**55,557**	**1,803**	**57,360**
Total comprehensive loss for the year									
Loss for the year	–	–	–	–	–	(32,321)	**(32,321)**	337	**(31,984)**
Other comprehensive loss for the year	–	–	–	–	(32)	366	**334**	–	**334**
Total comprehensive loss for the year	–	–	–	–	(32)	(31,955)	**(31,987)**	**337**	**(31,650)**
Transactions with owners of the Group, recognised directly in equity									
Shares issued in the year (note 26)	418	566	–	–	–	–	**984**	–	**984**
Share based payments (note 28)	–	–	–	(38)	–	–	**(38)**	–	**(38)**
Deferred tax on share based payments	–	–	–	(34)	–	–	**(34)**	–	**(34)**
Total contributions by and distributions to owners of the Group	418	566	–	(72)	–	–	**912**	–	**912**
Balance as at 31 March 2019	**1,987**	**3,286**	**(4,796)**	**238**	**(19)**	**23,786**	**24,482**	**2,140**	**26,622**

*Balance as at 31 March 2018 is restated to reflect the impact of the prior period adjustment shown above. Full details are in note 31.

The notes on pages 32 to 75 form part of these financial statements.

Company Statement of Changes in Equity

Year ended 31 March 2019

	Issued Share Capital £'000s	Premium Share Account £'000s	Share Option Account £'000s	Retained Earnings £'000s	Total Equity £'000s
Balance as reported at 31 March 2017	1,411	122	415	53,677	**55,625**
Restated brought forward retained earnings (note 31)	–	–	–	(1,479)	**(1,479)**
Restated balance at 31 March 2017	1,411	122	415	52,198	**54,146**
Total comprehensive income for the year					
Loss for the year	–	–	–	(27,067)	**(27,067)**
Other comprehensive loss for the year	–	–	–	(599)	**(599)**
Total comprehensive income for the year	–	–	–	(27,666)	**(27,666)**
Transactions with owners of the Group, recognised directly in equity					
Shares issued in the year	158	2,598	–	–	**2,756**
Share based payments	–	–	(5)	–	**(5)**
Deferred tax on share based payments	–	–	(100)	–	**(100)**
Total contributions by and distributions to owners of the Group	158	2,598	(105)	–	**2,651**
Balance as at 31 March 2018 (restated)*	**1,569**	**2,720**	**310**	**24,532**	**29,131**
Total comprehensive income for the year					
Loss for the year	–	–	–	(21,983)	**(21,983)**
Other comprehensive loss for the year	–	–	–	441	**441**
Total comprehensive income for the year	–	–	–	(21,542)	**(21,542)**
Transactions with owners of the Group, recognised directly in equity					
Shares issued in the year	418	566	–	–	**984**
Share based payments	–	–	(38)	–	**(38)**
Deferred tax on share based payments	–	–	(34)	–	**(34)**
Total contributions by and distributions to owners of the Group	418	566	(72)	–	912
Balance as at 31 March 2019	**1,987**	**3,286**	**238**	**2,990**	**8,501**

*Balance as at 31 March 2018 is restated to reflect the impact of the prior period adjustment shown above. Full details are in note 31.

The notes on pages 32 to 75 form part of these financial statements.

Consolidated Statement of Financial Position

Year ended 31 March 2019

	Notes	31 March 2019 £'000s	31 March 2018 (restated*) £'000s	31 March 2017 (restated*) £'000s
NON-CURRENT ASSETS				
Goodwill	**16**	**50,375**	69,955	69,416
Other intangible assets	**17**	**1,599**	3,247	1,155
Tangible fixed assets	**18**	**16,578**	30,098	23,932
Investments	**19**	**81**	81	–
Deferred tax asset	**20**	**1,259**	1,129	1,435
		69,892	104,510	95,938
CURRENT ASSETS				
Inventories	**21**	**6,840**	10,582	13,323
Trade and other receivables	**22**	**8,614**	15,296	16,016
Current tax assets		**52**	27	233
Cash collateral	**13**	**2,000**	2,000	–
Cash and cash equivalents		**2,909**	2,731	464
		20,415	30,636	30,036
Assets classed as held for sale	**33**	**148**	–	–
TOTAL ASSETS		**90,455**	135,146	125,974
CURRENT LIABILITIES				
Bank overdrafts		**–**	–	619
Trade and other payables	**24**	**10,629**	22,486	15,243
Borrowings	**23**	**668**	24,160	11,375
Financial instrument		**–**	–	146
		11,297	46,646	27,383
NON-CURRENT LIABILITIES				
Borrowings	**23**	**37,961**	16,390	4,701
Long-term liabilities – NCI put option	**25**	**4,997**	4,796	–
Derivative liability – Convertible loan notes	**25**	**294**	–	–
Deferred tax liabilities	**20**	**1,881**	2,035	1,278
Retirement benefit obligation	**31**	**7,403**	7,919	7,373
		52,536	31,140	13,352
TOTAL LIABILITIES		**63,833**	77,786	40,735
NET ASSETS		**26,622**	57,360	85,239
EQUITY				
Share capital	**26**	**1,987**	1,569	1,411
Share premium account		**3,286**	2,720	122
Other reserve		**(4,796)**	(4,796)	–
Share option reserve		**238**	310	415
Foreign exchange translation reserve		**(19)**	13	(48)
Retained earnings		**23,786**	55,741	83,339
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**24,482**	55,557	85,239
Non-controlling Interest		**2,140**	1,803	–
TOTAL EQUITY		**26,622**	57,360	85,239

*Retirement benefit obligation and retained earnings have been restated for an error in the 31 March 2017 accounts. See note 31 for full details.

These financial statements were approved by the Board of Directors and authorised for issue on 15 August 2019.

They were signed on its behalf by:

Hugh CL Cawley
Chief Executive Officer

Maribeth Keeling
Chief Financial Officer

The notes on pages 32 to 75 form part of these financial statements.

Company Statement of Financial Position

Year ended 31 March 2019

Registered Company Number: 04666282

	Notes	**31 March 2019 £'000s**	31 March 2018 (restated*) £'000s	31 March 2017 (restated*) £'000s
NON-CURRENT ASSETS				
Investments	**19**	**54,670**	55,575	64,594
Other intangible assets	**17**	**150**	217	227
Property, plant and equipment	**18**	**1,617**	1,932	2,369
Deferred tax asset	**20**	**1,259**	1,176	1,274
		57,696	58,900	68,464
CURRENT ASSETS				
Trade and other receivables	**22**	**70,441**	76,908	36,122
Current tax assets		**27**	–	1,470
Cash collateral	**13**	**2,000**	2,000	–
Cash and cash equivalents		**1,140**	477	–
		73,608	79,385	37,592
TOTAL ASSETS		**131,304**	138,285	106,056
CURRENT LIABILITIES				
Bank overdrafts		**–**	–	210
Trade and other payables	**24**	**78,391**	76,087	41,827
Borrowings	**23**	**–**	13,894	1,000
		78,391	89,981	43,037
NON-CURRENT LIABILITIES				
Borrowings	**23**	**36,715**	11,254	1,500
Derivative liability – Convertible loan notes	**25**	**294**	–	–
Retirement benefit obligation	**31**	**7,403**	7,919	7,373
		44,412	19,173	8,873
TOTAL LIABILITIES		**122,803**	109,154	51,910
NET ASSETS		**8,501**	29,131	54,146
EQUITY				
Share capital	**26**	**1,987**	1,569	1,411
Share premium account		**3,286**	2,720	122
Share option reserve		**238**	310	415
Retained earnings		**2,990**	24,532	52,198
TOTAL EQUITY		**8,501**	29,131	54,146

* Retirement benefit obligation and retained earnings have been restated for an error in the 31 March 2017 accounts. See note 31 for full details.

The Directors have taken advantage of the exemption available under Section 408 of the Companies Act and not presented a statement of comprehensive income for the Company alone. The result for the period is a loss of £21,542k (2018: a loss of £27,666k).

These financial statements were approved by the Board of Directors and authorised for issue on 15 August 2019.

They were signed on its behalf by:

Hugh CL Cawley
Chief Executive Officer

Maribeth Keeling
Chief Financial Officer

The notes on pages 32 to 75 form part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 March 2019

	Notes	31 March 2019 £'000s	31 March 2018 £'000s
CASH FLOW FROM OPERATING ACTIVITIES			
Adjusted for:			
(Loss) before taxation		**(32,333)**	(26,512)
Finance and other finance costs	**9, 10**	**4,572**	1,805
FX movement		**(98)**	152
Impairment charge	**16**	**18,675**	10,494
Share based payment expense		**(38)**	(5)
Loss on discontinued business	**32**	**5,202**	142
Loss on disposal of intangible assets		**123**	–
Loss on disposal of property, plant and equipment		**135**	107
Past service cost on pension	**31**	**106**	115
Fair value of derivative liability		**294**	–
Fair value of NCI put option		**201**	–
Depreciation of property, plant and equipment	**18**	**2,656**	2,929
Amortisation of intangibles	**17**	**1,464**	2,274
Operating Cash Flow		**959**	(8,499)
Decrease in inventories		**186**	3,675
Decrease in receivables		**613**	1,641
Pension contributions	**31**	**(347)**	(942)
NCI put option		**–**	(4,796)
(Decrease)/increase in payables		**(3,511)**	3,155
Cash (used in) from operations		**(2,100)**	(5,766)
Income taxes (paid)/received		**(68)**	1
Interest paid		**(493)**	(809)
Net cash (outflow) from operating activities		**(2,661)**	(6,574)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of intangible assets	**17**	**(10)**	(249)
Purchase of property, plant and equipment	**18**	**(4,474)**	(10,961)
Disposal of discontinued business, net of cash disposed of	**32**	**16,669**	–
Acquisition of business, net of cash acquired		**–**	(1,781)
Payment of deferred consideration		**(4,520)**	–
Net cash inflow/(outflow) from investing activities		**7,665**	(12,991)
CASH FLOW USED IN FINANCING ACTIVITIES			
Shares issued in year	**26**	**984**	2,756
Repayment of borrowings	**23**	**(1,750)**	(750)
Inflow of investor loans	**23**	**856**	21,398
Inflow of funds from convertible loan notes	**23**	**8,545**	–
Drawdowns on revolving credit facilities		**57,266**	99,266
Repayments on revolving credit facilities		**(65,935)**	(99,930)
Asset finance cash flow		**–**	1,008
Capital repayments on finance leases		**(4,783)**	(1,306)
Net cash (outflow)/inflow from financing activities		**(4,817)**	22,442
NET INCREASE IN CASH AND CASH EQUIVALENTS		**187**	2,877
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		**2,731**	(155)
Effects of currency translations on cash and cash equivalents		**(10)**	9
Net movement in cash and cash equivalents		**188**	2,877
Cash and cash equivalents at end of period	**13**	**2,909**	2,731

The notes on pages 32 to 75 form part of these financial statements.

Company Cash Flow Statement

Year ended 31 March 2019

	Notes	31 March 2019 £'000s	31 March 2018 £'000s
CASH FLOW FROM OPERATING ACTIVITIES			
Adjusted for:			
(Loss) before taxation		**(22,127)**	(25,834)
Finance and other finance costs	**9, 10**	**4,236**	1,374
Impairment charge	**19**	**905**	9,019
Share based payment expense		**(38)**	(5)
Loss on disposal of property, plant and equipment		**2**	77
Past service cost on pension	**31**	**106**	115
Fair value of derivative liability		**294**	–
Depreciation of property, plant and equipment	**18**	**313**	428
Amortisation of intangibles	**17**	**67**	57
Operating Cash Flow		**(16,242)**	(14,769)
Decrease/(increase) in receivables		**6,503**	(40,787)
Pension contributions	**31**	**(347)**	(942)
Increase in payables		**2,268**	34,153
Cash (used in) from operations		**(7,818)**	(22,345)
Income taxes received		**–**	235
Interest paid		**(154)**	(493)
Net cash (outflow) from operating activities		**(7,972)**	(22,603)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of intangible assets	**17**	**–**	(47)
Purchase of property, plant and equipment	**18**	**–**	(67)
Net cash (outflow) from investing activities		**–**	(114)
CASH FLOW USED IN FINANCING ACTIVITIES			
Shares issued in year	**26**	**984**	2,756
Inflow of investor loans	**23**	**856**	21,398
Inflow of funds from convertible loan notes	**23**	**8,545**	–
Repayment of borrowings	**23**	**(1,750)**	(750)
Net cash inflow from financing activities		**8,635**	23,404
NET INCREASE IN CASH AND CASH EQUIVALENTS		**663**	687
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		**477**	(210)
Net movement in cash and cash equivalents		**663**	687
Cash and cash equivalents at end of period	**13**	**1,140**	477

The notes on pages 32 to 75 form part of these financial statements.

Notes to the Financial Statements

Year ended 31 March 2019

1. Presentation of financial statements

General information

Real Good Food plc is a public limited company incorporated in England and Wales under the Companies Act (registered number 04666282). The Company is domiciled in England and Wales and its registered address is 61 Stephenson Way, Wavertree, Liverpool L13 1HN. The Company's shares are traded on the Alternative Investment Market (AIM).

Basis of preparation

These consolidated financial statements are presented on the basis of International Financial Reporting Standards (IFRS) as adopted by the European Union and have been prepared in accordance with AIM rules and the Companies Act 2006, as applicable to companies reporting under IFRS.

These consolidated financial statements have been prepared in accordance with the accounting policies set out in note 2 and under the historical cost convention, except where modified by the revaluation of certain financial instruments and commodities. The accounts are prepared on a going concern basis, as disclosed in note 3.

Discontinued operations

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

During the twelve months to 31 March 2019, the Group sold Garrett Ingredients Ltd, Haydens Bakery Ltd, R&W Scott Ltd, and RGF Patisserie Ltd. Details of the discontinued operations are disclosed in note 32. At 31 March 2019, some remaining assets in relation to the disposed businesses are classed as held for sale. For further details please refer to note 33.

Any references to discontinued operations throughout this report refer to Garrett Ingredients Ltd, Haydens Bakery Ltd, R&W Scott Ltd and RGF Patisserie Ltd.

IFRS standards and interpretations adopted

New standards which are effective from 1 January 2018, and have been considered within the Group's accounting policies are:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers.

Details of the impact of IFRS 9 can be found in Note 22. It has not had a material impact in the presentation of the accounts of the Group.

There is no impact in the accounts from the implementation of IFRS 15 Revenue from Contracts with Customers, as the requirements of this standard are in line with those already adopted by the Group in regards to recognition of revenue.

There are a number of standards and amendments to standards that have been issued, but are not yet effective. The Group has not decided to adopt these early. These are:

- IFRS 16 Leases (effective for periods beginning after 1 January 2019);
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective 1 January 2019);
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective 1 January 2019); and
- IFRS 17 Insurance Contracts (effective 1 January 2021)

The adoption of IFRS 16 Leases, will require the Group to recognise right-of-use assets and liabilities for all contracts that contain a lease. The Group does not currently recognise related assets or liabilities for operating leases, but instead spreads the lease payments on a straight-line basis over the lease term. As such, the Group will no longer recognise an operating expense for the lease payments, but will replace this with interest on its lease liabilities and amortisation of the right to use assets. This will increase EBITDA for the Group.

The Board has decided to apply the modified retrospective adoption method in IFRS 16, and will therefore only recognise leases on the balance sheet as at 1 April 2019. They have also decided to measure the asset as the lease liability on that date, meaning there will be no immediate impact on net assets at 1 April 2019, as the asset will offset with the liability.

At 31 March 2019, there are £0.4 million (note 29) of operating lease commitments outstanding, with a reduction of £0.2 million expected in the year to 31 March 2020. The impact expected on EBITDA for the year ended 31 March 2020 is therefore £0.2 million, being the current operating lease cost.

The Group does not expect any other standards issued by the IASB, but not yet effective, to have a material impact on the Group.

2. Significant accounting policies

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

a) Basis of accounting

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

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Divisional Reviews on pages 8 to 9. The financial position of the Group, its cash flows and liquidity position are described in the Finance Review on page 10. In addition, note 23 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

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

The principal shareholders have considered the liquidity of the Company in line with the current strategy and future performance. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the next 12 months and therefore continue to adopt the going concern basis in preparing the consolidated financial statements.

2. Significant accounting policies (continued)

b) Basis of consolidation

The consolidated financial statements include the financial statements of Real Good Food plc and entities controlled by the Company (its subsidiaries). Control is achieved where the Company is exposed to or has rights to variable returns from involvement with an investee and has the ability to affect those returns through its power over the investee.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

c) Revenue recognition

Revenue comprises the invoiced value for the sale of goods net of sales rebates, discounts, value added tax and other taxes directly attributable to revenue and after eliminating sales within the Group. Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group.

a. Sales of Goods: Sales of goods are recognised when goods are despatched. Sales are recorded net of discounts, Value Added Tax (VAT) and other sales-related taxes. The implementation of IFRS 15 has not impacted the recognition of revenue for the Group.
b. Finance income/costs: Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Other finance costs includes net interest costs on the net defined benefit pension scheme liabilities.
c. Rebates and discounts: All discounts, rebates etc. are accounted for in line with contractual commitments and netted off gross sales to reflect the net income earned and any costs incurred in marketing activity are expensed within commercial overheads. In all cases these accounts will reflect the net position after any contractual discounts and rebates along with any promotional costs. Full accruals are made for any unpaid elements.
d. Refunds: Refunds are issued to customers when product is damaged or not fit for purpose upon receipt. Refunds are recorded net of discounts, Value Added Tax (VAT) and other sales-related taxes.

d) Income tax

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to the Statement of Comprehensive Income, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities on a net basis.

e) Significant items

It is the Group's policy to show separately on the face of the Statement of Comprehensive Income, items that it considers to be significant, to assist the reader's understanding of the accounts. The Group defines the term 'significant' as items that are material in respect of their size and/or nature; at a segment reporting level, for example, a major restructuring of the management of that segment. The Group believes that by identifying these items separately as significant it enhances the understanding of the true performance of the segment trading position. Summary details of significant items are shown in note 6 to these accounts.

f) Pension costs

The Group operates a defined contribution and a defined benefit pension scheme. Payments to the defined contribution scheme are charged as an expense as they fall due. For the defined benefit scheme, the cost of providing benefits is determined using the Projected Unit Credit Method, with full actuarial valuations being carried out every three years. Actuarial gains and losses are recognised in full in the period in which they occur. Further details are given in note 31 to the financial statements.

g) Property, plant and equipment

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

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

Land and buildings	
Freehold buildings	40 to 50 years
Short-term leasehold buildings	Length of lease
Plant and equipment	
Plant and equipment	2 to 13 years
Motor vehicles	4 years
Fixtures and fittings	4 to 13 years
Computer equipment	4 years

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

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

Notes to the Financial Statements (continued)

Year ended 31 March 2019

2. Significant accounting policies (continued)

h) Intangible assets

Intangible assets include computer software, development costs and business relationships. The following assets are amortised on a straight-line basis over the following periods:

Computer software	5 years
Development costs, and business relationships	3 years

The charge for the year is included in administration expenses within the Statement of Comprehensive Income.

Impairment reviews of intangible assets are undertaken if there are indications that the carrying values may not be recoverable or that the recoverable amounts may be less than the assets' carrying value.

i) Leases

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

All other leases are treated as operating leases and the rentals payable are charged on a straight-line basis to the profit or loss over the lease term.

j) Investments

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

k) Inventories

Inventory is valued at the lower of cost and net realisable value. Where appropriate, cost includes production and other attributable overhead expenses as described in IAS 2 Inventories. Cost is calculated on a first-in, first-out basis by reference to the invoiced value of supplies and attributable costs of bringing the inventory to its present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. All inventories are reduced to net realisable value where the estimated selling price is lower than cost. A provision is made for slow moving, obsolete and defective inventory where appropriate.

l) Research and development

Research and development expenditure is charged to the income statement in the period in which it is incurred. Development expenditure is capitalised when the criteria for recognising an asset are met. When the recognition criteria have been met, expenditure is capitalised as an intangible asset. Property, plant and equipment used for research and development are capitalised and depreciated in accordance with the Group's policy.

m) Cash and cash equivalents

Cash and cash equivalents on the Statement of Financial Position consist of cash in hand and at the bank. Cash and cash equivalents recognised in the Cash Flow Statement include cash in hand and at the bank, and bank overdrafts which are repayable on demand. Deposits are included within cash and cash equivalents only when they have a short maturity of three months or less at the date of acquisition.

The cash and cash equivalents figure for the Group is inflated by £2 million in relation to security provided by Omnicane and Napier Brown Holdings (see note 23) to Lloyds Banking Group. The £2 million has been supplied as investor loans and attracts interest. This is referred to as Cash Collateral throughout the financial statements and is not displayed on the cash flow.

n) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Following the implementation of IFRS 9, the Group calculates impairments using an expected credit loss model, based upon the payment history of their customers, and any resultant bad debt write downs they have incurred. The application of this method has not had a material impact on the presentation of trade receivable impairments within the financial statements, as the occurrence of bad debt historically has been rare.

o) Trade payables

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

p) Borrowings

Interest-bearing loans and overdrafts are recorded as the proceeds received net of direct issue costs and are valued at fair value net of any transaction costs directly attributable to the borrowing. Interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding. The Group has an invoice discounting facility secured on the trade debtors as specified in note 23. Liabilities under this arrangement are shown in borrowings.

The Group has convertible loan notes repayable in 3 years from the date of issue (May 2021), which can be converted at any time into shares at the holder's option. A host loan at amortised cost and an embedded derivative liability, being measured at fair value with changes in value being recorded in profit or loss, have been recognised.

2. Significant accounting policies (continued)

q) Foreign currencies

The consolidated financial statements are presented in sterling which is the Group's functional and presentation currency.

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

All foreign exchange gains and losses arising from transactions in the year are presented in the Statement of Comprehensive Income within the administration expenses heading. Foreign currency differences on the translation of foreign subsidiaries are included in other comprehensive income and are shown as a separate reserve on the Statement of Financial Position.

r) Goodwill

Goodwill is calculated as the difference between the fair value of the consideration exchanged and the net fair value of the identifiable assets and liabilities acquired, and is capitalised. Goodwill is tested for impairment annually and whenever there is an indication of impairment. Goodwill is carried at cost less accumulated impairment losses.

Gains and losses on the disposal of a business combination include the carrying amount of goodwill relating to the entity sold.

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

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

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

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

s) Government grants

Grants which have been received for which the grant criteria have been met are included in operating income. Grants which have been received where the grant criteria have not yet been met are included in liabilities.

t) Invoice discounting

The Group has an invoice discounting facility of £8 million with Lloyds Banking Group secured on the trade debtors on a revolving basis with a minimum term of 12 months and a six-month notice period. This facility is secured against the debtors of JF Renshaw Ltd and Rainbow Dust Colours Ltd, with an interest rate of 1.5% above Base Rate. Trade debtors remain assets of the Group and are shown at the total amount collectable. Liabilities under this arrangement are shown in borrowings.

u) Non-controlling Interest (NCI) put option

Upon acquisition of Brighter Foods Ltd, the Group entered into a shareholder agreement regarding the management stake whereby the management of Brighter Foods can elect to sell 50% of the management stake to the Group after March 2020 and 50% after March 2021. The consideration for the stake is based upon an agreed valuation linked to profit, cash and capital expenditure. The net present value of the estimated financial liability in the event of the exercise of the non-controlling interest put option is recognised in long-term liabilities and other reserves. Subsequent changes in the carrying amount resulting from remeasurement of the amount payable on exercising the options would be recognised in the Statement of Comprehensive Income.

3. Critical accounting estimates and judgements

In order to prepare these consolidated financial statements in accordance with the accounting policies set out in note 2, management has used estimates and judgements to establish the amounts at which certain items are recorded. Critical accounting estimates and judgements are those that have the greatest impact on the financial statements and require the most difficult, subjective and complex judgements about matters that are inherently uncertain. Estimates are based on factors including historical experience and expectations of future events that management believes to be reasonable. However, given the judgemental nature of such estimates, actual results could be different owing to the assumptions used. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Notes to the Financial Statements (continued)

Year ended 31 March 2019

3. Critical accounting estimates and judgements (continued)

a) Impairment of goodwill

An impairment of goodwill has the potential to impact significantly upon the Group's Statement of Comprehensive Income for the period. In order to determine whether impairments are required, the Directors estimate the recoverable amount of the goodwill. This calculation is based on the Group's cash flow forecasts for the following financial year extrapolated over a rolling 5-year period, with a terminal value applied to the fifth year, assuming a 2% growth rate. A discount factor, based upon the Group's weighted average cost of capital, which has been increased to reflect the increased risk of the Company being listed on AIM rather than the full market, is applied to obtain a current value ('value in use').

The weighted average cost of capital is impacted by estimates of interest rates, equity returns and market-related risks. The Group's weighted average cost of capital is reviewed on an annual basis.

The fair value less costs to sell of the cash generating unit is used if this results in an amount in excess of value in use.

Estimated future cash flows for impairment calculations are based on management's expectations of future volumes and margins based on plans and best estimates of the productivity of the cash generating units in their current condition. Future cash flows therefore exclude benefits from major expansion projects requiring future capital expenditure and estimate an amount for routine capital expenditure.

Further details are set out in note 16.

b) Retirement benefits

The Company sponsors the Napier Brown Foods Retirement Benefits Plan which is a funded defined benefit arrangement. The amounts recorded in the financial statements for this type of scheme are based on a number of assumptions, changes to which could have a material impact on the reported amounts.

Any net deficit or surplus arising on the defined benefit plan is shown in the Statement of Financial Position. The amount recorded is the difference between Plan assets and Plan liabilities at the Statement of Financial Position date. Plan assets are based on market value at that date. Plan liabilities are based on actuarial estimates of the present value of future pension or other benefits that will be payable to members.

The most sensitive assumptions involved in calculating the expected Plan liabilities are mortality rates and the discount rate used to calculate the present value. If the mortality rate assumption changed, a one-year increase to longevity would increase the Plan liability by 5%. An increase in the discount rate would result in a reduction of the Plan liabilities and an increase in the rate of inflation would increase the liabilities of the Plan.

The Statement of Comprehensive Income includes a regular charge to operating profit for the current and past service cost. Past service costs represent the change in the present value of the benefits obligation that arises from benefit changes that are applied retrospectively to prior year benefits that have accrued. Past service costs are charged in full in the year when the changes to benefits are made. There is also a finance charge, which represents the net of interest income from Plan assets and an interest charge on Plan liabilities. These calculations are based on the discount rate at the start of the financial year. The Statement of Comprehensive Income is most sensitive to changes in the discount rate used to calculate the interest income from Plan assets and interest charge on Plan liabilities.

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

c) Business claims

In common with comparable food groups, the Group is involved in disputes in the ordinary course of business which may give rise to claims. Provision representing the known cost of defending and concluding claims is made in the financial statements in accruals as part of other payables for claims where costs are likely to be incurred. The Group carries a wide range of insurance cover and no separate disclosure is made of the detail of claims or the costs covered by insurance, as to do so could prejudice the position of the Group. The dispute regarding the non-supply of contracted sugar to the Group was resolved during the year.

d) Going concern

The Directors have considered the Group's business activities together with the factors likely to affect its planned future performance. The forecasts, agreed with the businesses, consider reasonable possible changes in trading performance and these assumptions have been projected and shared with the Company's advisors.

The principal shareholders of the Group have shown considerable support for the working capital requirements and, having carefully considered the liquidity of the Group and Company in line with the current strategy and future performance, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the next 12 months and therefore continue to adopt the going concern basis in preparing the consolidated financial statements.

4. Revenue

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

Cake Decoration £46.4 million	Manufactures, sells and supplies cake decorating products and ingredients for the baking sector.
Food Ingredients £15.2 million	Manufactures and supplies a range of snack bars to the retail sector.

5. Segment reporting

Business segments

The divisional structure reflects the management teams in place and also ensures all aspects of trading activity have the specific focus they need in order to achieve our growth plans.

The Group operates in two main divisions: Cake Decoration and Food Ingredients. The Head Office functions of Finance, Technical and Information Services provide support to the divisions in varying scale.

12 months ended 31 March 2019	Cake Decoration £'000s	Food Ingredients £'000s	Head Office and non-trading subsidiaries £'000s	Continuing Operations £'000s	Discontinued Operations £'000s	Total Group £'000s
Total revenue	**56,340**	**15,151**	**–**	**71,491**	**26,365**	**97,856**
Intercompany sales	(9,931)	–	–	**(9,931)**	(346)	**(10,277)**
External revenue	**46,409**	**15,151**	**–**	**61,560**	**26,019**	**87,579**
Cost of sales	(31,716)	(11,585)	(232)	**(43,533)**	(21,615)	**(65,148)**
Gross profit/(loss)	**14,693**	**3,566**	**(232)**	**18,027**	**4,404**	**22,431**
Distribution expenses	(3,074)	(341)	–	**(3,415)**	(1,227)	**(4,642)**
Administrative expenses	(9,662)	(1,998)	(4,078)	**(15,738)**	(9,267)	**(25,005)**
Operating profit/(loss) before impairment and significant items	**1,957**	**1,227**	**(4,310)**	**(1,126)**	**(6,090)**	**(7,216)**
Significant items	(589)	(42)	(1,086)	**(1,717)**	(46)	**(1,763)**
Impairment charge	(18,675)	–	–	**(18,675)**	–	**(18,675)**
Operating (loss)/profit after impairment and significant items	**(17,307)**	**1,185**	**(5,396)**	**(21,518)**	**(6,136)**	**(27,654)**
Finance costs	(141)	–	(4,265)	**(4,406)**	(107)	**(4,513)**
Other finance costs	–	–	(166)	**(166)**	–	**(166)**
(Loss)/profit before tax	**(17,448)**	**1,185**	**(9,827)**	**(26,090)**	**(6,243)**	**(32,333)**
Income tax expense/(credit)	18	(122)	453	**349**	–	**349**
(Loss)/profit after tax as per comprehensive statement of income	**(17,430)**	**1,063**	**(9,374)**	**(25,741)**	**(6,243)**	**(31,984)**

Geographical segments

The Group earns revenue from countries outside the United Kingdom, as shown below:

	Cake Decoration £'000s	Food Ingredients £'000s
UK	30,276	15,149
Europe	6,201	2
USA	8,643	–
Rest of World	1,289	–
Total	**46,409**	**15,151**

The Group has two customers which constitute over 10% of revenue; one providing 22% of revenue, and the other 13%.

Notes to the Financial Statements (continued)

Year ended 31 March 2019

5. Segment reporting (continued)

Reconciliation of operating (loss)/profit to underlying adjusted EBITDA	Cake Decoration £'000s	Food Ingredients £'000s	Head Office and non-trading subsidiaries £'000s	Continuing Operations £'000s	Discontinued Operations £'000s	Total Group £'000s
Operating (loss)/profit	**(17,307)**	**1,185**	**(5,396)**	**(21,518)**	**(6,136)**	**(27,654)**
Significant items	589	42	1,086	**1,717**	46	**1,763**
Impairment charge	18,675	–	–	**18,675**	–	**18,675**
Loss on disposal	–	–	–	**–**	5,202	**5,202**
Depreciation	1,016	242	315	**1,573**	1,083	**2,656**
Amortisation	12	1,376	66	**1,454**	10	**1,464**
Underlying adjusted EBITDA	**2,985**	**2,845**	**(3,929)**	**1,901**	**205**	**2,106**

31 March 2019	Cake Decoration £'000s	Food Ingredients £'000s	Head Office and non-trading subsidiaries £'000s	Continuing Operations £ '000s	Discontinued Operations £'000s	Total Group £'000s
Segment assets	**108,357**	**13,460**	**(31,362)**	**90,455**	**–**	**90,455**
Segment liabilities	**23,985**	**3,073**	**36,775**	**63,833**	**–**	**63,833**
Net operating assets	**84,372**	**10,387**	**(68,137)**	**26,622**	**–**	**26,622**
Non–current asset additions	102	4,581	–	4,683	–	4,683
Depreciation	(1,016)	(242)	(315)	(1,573)	(1,083)	(2,656)
Amortisation	(12)	(1,376)	(66)	(1,454)	(10)	(1,464)

In line with the Group strategy of allowing each business to understand its true cost base as a stand-alone business, during the 12 months ended 31 March 2019, Head Office costs of £1.4 million have been re-allocated to the Cake Decoration division. In order to provide clear and consistent comparisons, the 12 months ended 31 March 2018 have been restated.

12 months ended 31 March 2018 - Restated	Cake Decoration £'000s	Food Ingredients £'000s	Head Office and non-trading subsidiaries £'000s	Continuing Operations £'000s	Discontinued Operations £'000s	Total Group £'000s
Total revenue	55,175	16,096	61	**71,332**	71,035	**142,367**
Intercompany sales	(7,544)	–	–	**(7,544)**	(4,697)	**(12,241)**
External revenue	**47,631**	**16,096**	**61**	**63,788**	**66,338**	**130,126**
Cost of sales	(33,744)	(11,876)	(264)	**(45,884)**	(59,753)	**(105,637)**
Gross profit/(loss)	**13,887**	**4,220**	**(203)**	**17,904**	**6,585**	**24,489**
Distribution expenses	(2,906)	(317)	–	**(3,223)**	(2,287)	**(5,510)**
Administrative expenses	(10,937)	(1,842)	(5,384)	**(18,163)**	(9,429)	**(27,592)**
Operating profit/(loss) before impairment and significant items	**44**	**2,061**	**(5,587)**	**(3,482)**	**(5,131)**	**(8,613)**
Significant items	(1,060)	(5)	(2,943)	**(4,008)**	(1,477)	**(5,485)**
Impairment charge	–	–	–	**–**	(10,494)	**(10,494)**
Operating (loss)/profit after impairment and significant items	**(1,016)**	**2,056**	**(8,530)**	**(7,490)**	**(17,102)**	**(24,592)**
Finance costs	(214)	–	(1,210)	**(1,424)**	(332)	**(1,756)**
Other finance costs	–	–	(164)	**(164)**	–	**(164)**
(Loss)/profit before tax	**(1,230)**	**2,056**	**(9,904)**	**(9,078)**	**(17,434)**	**(26,512)**
Income tax credit/(expense)	1,364	185	(936)	**613**	(666)	**(53)**
Profit/(loss) after tax as per comprehensive statement of income	**134**	**2,241**	**(10,840)**	**(8,465)**	**(18,100)**	**(26,565)**

5. Segment reporting (continued)

Reconciliation of operating (loss)/profit to underlying adjusted EBITDA	Cake Decoration £'000s	Food Ingredients £'000s	Head Office and non trading subsidiaries £'000s	Continuing Operations £'000s	Discontinued Operations £'000s	Total Group £'000s
Operating (loss)/profit	**(1,016)**	**2,056**	**(8,530)**	**(7,490)**	**(17,102)**	**(24,592)**
Significant items	1,060	5	2,943	**4,008**	1,477	**5,485**
Impairment charge	–	–	–	**–**	10,494	**10,494**
Depreciation	797	209	425	**1,431**	1,498	**2,929**
Amortisation	276	1,404	57	**1,737**	537	**2,274**
Underlying adjusted EBITDA	**1,117**	**3,674**	**(5,105)**	**(314)**	**(3,096)**	**(3,410)**

6. Significant items

	Reference	12 months ended 31 March 2019 £'000s	12 months ended 31 March 2018 £'000s
Abnormal costs relating to ongoing capital projects	1	**(38)**	(885)
Investigation work and penalties	2	**(315)**	(1,207)
Professional fees in relation to refinancing costs	3	**(380)**	(669)
Asset write-offs	4	**(330)**	(920)
Commercial disputes	5	**(118)**	(239)
Management restructuring	6	**(582)**	(1,254)
Acquisition and legal costs		**–**	(311)
Significant items		**(1,763)**	(5,485)
Continuing business		**(1,717)**	(4,008)
Discontinued business		**(46)**	(1,477)
Total significant items		**(1,763)**	(5,485)

The Group's underlying profit figure excludes a number of items which are material and non-recurring and are detailed separately to ensure the underlying operating performance of the businesses is clearly visible, without the distortions of these non-recurring costs.

The year to 31 March 2019 has seen a lower level of significant items than in the previous year. A number of the costs shown are carried forward in relation to activities from the year to 31 March 2018. They are explained in the notes below:

1. Abnormal costs during improving capacity of business units. Considerable funds have been invested throughout the Group in the past two years in capital projects, to improve the capacity and operating efficiency of the Group. The costs incurred in the year ended 31 March 2019 are in relation to different capital projects from those reflected in the year ended 31 March 2018.
2. Investigation work and penalties relating to corporate governance failings. There were well-publicised failings in the area of corporate governance. The costs of securing the services of external agencies sufficiently specialised, experienced and qualified to ensure all failings were fully investigated and identified, and remedial actions highlighted on a timely basis have been identified separately.
3. Professional fees relating to refinancing. The very unusual frequency and short-term costs of refinancing in the period are highlighted here, as being the costs associated with providing repeated emergency funding before any form of longer-term package was able to be negotiated. All loans have now been renegotiated.
4. Asset write-offs. The costs incurred in the year ended 31 March 2019 relate to inventory and intangible asset write offs in relation to an abandoned product launch. In the period to 31 March 2018 this relates to the closure of Garrett Ingredients Nutrition, and asset write offs in relation to aborted projects.
5. Commercial disputes. These costs relate to the well-publicised issues, identified separately in previous announcements to the City, arising from disputes over material sugar contracts. The value of the disputes was unusually large and occurred some years after the original contracts were entered. They are not expected to re-occur. All claims are now settled.
6. Management restructuring. Individual redundancies are generally a matter of everyday business, however, significant restructuring has been required and effected right across the Group during the past 24 months, as fundamental changes in the operations have been brought about, while deliberate, one-off changes have been delivered. The central functions have been largely disbanded, for example, as the Group can demonstrably no longer afford to sustain a central overhead of marketing, operations, or HR. The costs of severance for these staff members have been separately identified and disclosed here.

Notes to the Financial Statements (continued)

Year ended 31 March 2019

7. Auditor's remuneration

	12 months ended 31 March 2019 £'000s	12 months ended 31 March 2018 £'000s
Fees payable to the Company's auditor for the audit of the Group's annual accounts	**(215)**	(220)
Fees payable to the Company's auditor for other services:		
Audit related assurance services	**(31)**	–
Tax compliance services	**(45)**	(25)
Tax advisory services	**(23)**	(5)
Other assurance services	**(21)**	(6)
Other assurance services – investigation work (note 6)	**–**	(199)
Total fees paid to auditor	**(335)**	(455)

The fee payable to the Company's auditor for the audit of the annual accounts has been split between Real Good Food plc, and its subsidiaries, as follows:

	12 months ended 31 March 2019 £'000s	12 months ended 31 March 2018 £'000s
Annual Accounts audit fee apportioned by division		
Real Good Food plc	**(107)**	(92)
Brighter Foods Ltd	**(20)**	–
Real Good Food Ingredients Ltd	**(8)**	(20)
Haydens Bakery Ltd	**–**	(20)
J F Renshaw Ltd	**(60)**	(50)
R&W Scott Ltd	**–**	(18)
Rainbow Dust Colours Ltd	**(20)**	(20)
	(215)	(220)

8. Operating profit

Operating profit for continuing operations

	Notes	**12 months ended 31 March 2019 £'000s**	12 months ended 31 March 2018 £'000s
External Sales		**61,560**	63,788
Staff Costs	12	**(20,622)**	(21,800)
Inventories:			
– cost of inventories as an expense (included in cost of sales)		**(25,917)**	(29,545)
Depreciation of property, plant and equipment	5	**(1,573)**	(1,431)
Amortisation of intangible assets	5	**(1,454)**	(1,737)
Significant items	6	**(1,717)**	(4,008)
Impairment charge	16	**(18,675)**	–
Operating lease payment:			
– land and buildings		**(486)**	(651)
– other assets		**(57)**	(124)
Research and development expenditure		**(803)**	(1,172)
Impairment of trade receivables	22	**(100)**	(146)
Foreign exchange losses/(gains)		**(327)**	415
Other net operating expenses		**(11,347)**	(11,079)
Total		**(83,078)**	(71,278)
Operating loss		**(21,518)**	(7,490)

9. Finance costs

	12 months ended 31 March 2019 £'000s	12 months ended 31 March 2018 £'000s
Interest on bank loans, overdrafts and investor loans	**(4,164)**	(1,311)
Interest on obligations under finance leases	**(154)**	(330)
Interest on non-controlling interest put option	**(89)**	–
Past service cost on pension (note 31)	**(106)**	(115)
	(4,513)	(1,756)
Continuing business	**(4,406)**	(1,424)
Discontinued business	**(107)**	(332)

10. Other finance costs

	12 months ended 31 March 2019 £'000s	12 months ended 31 March 2018 £'000s
Interest on pension scheme liabilities (note 31)	**(516)**	(553)
Interest on pension scheme assets (note 31)	**350**	389
	(166)	(164)

Notes to the Financial Statements (continued)

Year ended 31 March 2019

11. Directors' remuneration

	12 months ended 31 March 2019 £'000s	12 months ended 31 March 2018 £'000s
Directors' salaries, benefits and fees	**(1,103)**	(682)
Final payments in relation to services rendered	**(180)**	–
Related party Directors' fees and consultancy fees (note 30)	**(6)**	(134)
	(1,289)	(816)

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

	Fees/Salaries inc. Er's NIC £'000s	Taxable Benefits £'000s	Bonus £'000s	Pension Contributions £'000s	**12 months ended 31 March 2019 £'000s**	12 months ended 31 March 2018 £'000s
P W Totté (to Aug 2017)	–	–	–	–	**–**	110
D P Newman (to Aug 2017)	–	–	–	–	**–**	68
P C Salter (to Aug 2017)	–	–	–	–	**–**	15
P G Ridgwell	39	–	–	–	**39**	38
J M d'Unienville	25	–	–	–	**25**	25
C O Thomas	46	–	–	–	**46**	171
H C L Cawley (from Aug 2017)	426	11	250	–	**687**	85
H Rai (from Aug 2017)	348	11	45	18	**422**	151
J A Mackenzie (from June 2017)	25	–	–	–	**25**	19
S Dawson (from Sept 2018)	17	–	–	–	**17**	–
M Holt (from Aug 2018)	22	–	–	–	**22**	–
	948	**22**	**295**	**18**	**1,283**	**682**

This includes salaries and fees (including Employer's NI) received as an officer of the Company. Taxable benefits include car allowance, health and other taxable payments for expenses paid by the Company.

All salaries and fees disclosed are included in current year trading results. Payments to H Rai (£25k), J A MacKenzie (£2k) and J M d'Unienville (£19k) disclosed but not paid in prior years were paid in the current year.

At 31 March 2019, there were £473k of salaries and fees outstanding for payment to Directors of the Group (H CL Cawley £285k, H Rai £180k, J M d'Unienville £4k, S Dawson £2k and J A MacKenzie £2k). These were settled in April and May 2019 and have been included in the numbers above.

Directors fees paid to J A MacKenzie are charged and paid to Downing LLP.

Consultancy fees and expenses paid to entities in which Directors hold a beneficial interest, for services provided to the Group by the Directors, are disclosed as related party transactions in note 30.

The current Company Directors disclosed are considered as key management personnel.

11. Directors' remuneration (continued)

The current base annual salaries and fees paid to the Directors are as follows:

	Base Salary £'000s
M Holt	60
H C L Cawley	325
J M d'Unienville	25
J A MacKenzie	25
S Dawson	25
A Ridgwell	25
M Keeling	134
	619

Directors' interests in share options:

		Date of Grant	No. of options at 31 March 2019	No. of options at 31 March 2018	Exercise Price	Earliest Exercise Date	Exercise Expiry Date
P W Totté (Menton Investments)	Unapproved options	Mar 11	3,817,725	3,817,725	25.00p	Apr 11	Mar 21
P G Ridgwell	Unapproved options	July 09	476,190	476,190	5.25p	July 12	July 19
	Unapproved options	May 10	61,224	61,224	24.50p	May 13	May 20
C O Thomas	Unapproved options	July 09	304,762	304,762	5.25p	July 12	July 19
	Unapproved options	May 10	40,816	40,816	24.50p	May 13	May 20

No new options were granted to Directors during the year (2018: nil). Options have historically been granted to Directors whose performances and potential contribution were judged to be important to the operations of the Group, as incentives to maximise their performance and contribution.

The mid-market price of the ordinary shares on 31 March 2019 was 5.75p and the range during the year was 16.00p to 5.25p.

No Director exercised share options during the year.

During the period retirement benefits were accruing to one director (2018: two) in respect of money purchase pension schemes.

Notes to the Financial Statements (continued)

Year ended 31 March 2019

12. Staff numbers and costs

The average monthly number of people employed by the Group (including Executive Directors) during the year, analysed by category, were as follows:

	31 March 2019 Group	31 March 2019 Company	31 March 2018 Group	31 March 2018 Company
Continuing operations				
Production	**452**	**–**	402	–
Selling and distribution	**70**	**–**	74	–
Directors and administrative	**63**	**15**	99	47
	585	**15**	575	47
Discontinued operations				
Production	**501**	**–**	495	–
Selling and distribution	**46**	**–**	67	–
Directors and administrative	**84**	**–**	74	–
	631	**–**	636	–
Total no. of staff	**1,216**	**15**	**1,211**	**47**

The aggregate payroll costs were as follows:

	31 March 2019 Group £'000s	31 March 2019 Company £'000s	31 March 2018 Group £'000s	31 March 2018 Company £'000s
Continuing operations				
Wages, salaries and fees	**(17,831)**	**(1,919)**	(18,763)	(3,169)
Social security costs	**(1,786)**	**(239)**	(1,882)	(347)
Other pension costs	**(1,005)**	**(124)**	(1,155)	(289)
	(20,622)	**(2,282)**	(21,800)	(3,805)
Discontinued operations				
Wages, salaries and fees	**(6,939)**	**–**	(17,207)	–
Social security costs	**(590)**	**–**	(1,418)	–
Other pension costs	**(291)**	**–**	(509)	–
	(7,820)	**–**	(19,134)	–
Total payroll costs	**(28,442)**	**(2,282)**	**(40,934)**	**(3,805)**

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, other than those already listed in the Directors remuneration in note 11.

	31 March 2019 Group £'000s	31 March 2019 Company £'000s	31 March 2018 Group £'000s	31 March 2018 Company £'000s
Wages, salaries and fees	**(682)**	**–**	(655)	–
Social security costs	**(94)**	**–**	(78)	–
Other pension costs	**(53)**	**–**	(70)	–
Total payroll costs	**(829)**	**–**	**(803)**	**–**

13. Notes supporting the cash flow statement

The cash collateral figure for the Group is £2 million. This has been provided to Lloyds Bank plc as security for the liabilities of the Group. The £2 million has been supplied as investor loans by Omnicane Investors Ltd and NB Holdings Ltd (see note 25) and attracts interest. This amount is not included in the cash flow.

Group

Real Good Food plc (Group)	Non-current Loans and Borrowings £'000s (Note 23)	Current Loans and Borrowings £'000s (Note 23)	Total £'000s
At 31 March 2018	**16,390**	**24,160**	**40,550**
Cash Flows	6,214	(12,015)	**(5,801)**
Non-cash flows			
– Loans renegotiated to move from current at March 2018 to non-current at March 2019	12,144	(12,144)	**–**
– Interest accruing on loans	4,317	–	**4,317**
– Accrued interest added to principal loan at the point of issue of convertible loan notes	261	–	**261**
– Transaction costs of issuance of convertible loan notes included in liability	(317)	–	**(317)**
– Fair value measurement of convertible loan notes	(345)	–	**(345)**
– Hire purchase disposed of as part of discontinued entity	(36)	–	**(36)**
– Loans and borrowings classified as non-current at March 2018 becoming current before March 2019	(667)	667	**–**
At 31 March 2019	**37,961**	**668**	**38,629**

Company

Real Good Food (Company)	Non-current Loans and Borrowings £'000s (Note 23)	Current Loans and Borrowings £'000s (Note 23)	Total £'000s
At 31 March 2018	**11,254**	**13,894**	**25,148**
Cash Flows	9,401	(1,750)	**7,651**
Non-cash flows			
– Loans renegotiated to move from current at March 2018 to non-current at March 2019	12,144	(12,144)	**–**
– Interest accruing on loans	4,317	–	**4,317**
– Accrued interest added to principal loan at the point of issue of convertible loan notes	261	–	**261**
– Transaction costs of issuance of convertible loan notes included in liability	(317)	–	**(317)**
– Fair value measurement of convertible loan notes	(345)	–	**(345)**
At 31 March 2019	**36,715**	**–**	**36,715**

Notes to the Financial Statements (continued)

Year ended 31 March 2019

14. Taxation

Group

	31 March 2019 £'000s	31 March 2018 £'000s
Current tax		
UK current tax on profit of the period	**–**	(58)
UK current tax on significant items	**–**	–
Adjustments to tax in respect of prior years	**(43)**	196
Total current tax	**(43)**	138
Origination and reversal of timing differences	**589**	(213)
Adjustments in respect of prior years	**(197)**	22
Total deferred tax	**392**	(191)
Tax – continuing operations	**349**	(53)
Tax – discontinued operations	**–**	–
Total tax	**349**	(53)
Tax on loss	**349**	(53)

Factors affecting tax charge for the period:

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 19% (2018 : 19%).

The differences are explained below:

	31 March 2019 £'000s	31 March 2018 £'000s
Tax reconciliation		
Loss per accounts before taxation	**(32,333)**	(26,512)
Tax on loss on ordinary activities at standard corporation tax rate of 19%	**6,143**	5,037
Expenses not deductible for tax purposes	**(3,355)**	(2,191)
Movement on unrecognised deferred tax	**(2,134)**	(3,202)
Adjustments in respect of change in deferred tax rate	**(65)**	85
Adjustments to tax in respect of prior years	**(240)**	218
Total tax	**349**	(53)
Tax on continuing operations	**349**	(53)
Tax on discontinued operations	**–**	–
Tax charge for the period	**349**	(53)

Details of the deferred tax asset is shown in note 20.

The Finance (No. 2) Act 2015 introduced a reduction in the main rate of corporation tax from 20% to 19% from 1 April 2017 and from 19% to 18% from 1 April 2020. These reductions were substantively enacted on 26 October 2015.

The Finance Act 2016 introduced a further reduction in the main rate of corporation tax to 17% from 1 April 2020. This was substantively enacted on 6 September 2016. Accordingly, deferred tax balances that are expected to reverse after 1 April 2020 have been valued at the lower rate of 17%.

15. Earnings per share

Basic earnings per share

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

	12 months ended 31 March 2019 Continuing Operations £'000s	**12 months ended 31 March 2019 Discontinued Operations £'000s**	12 months ended 31 March 2018 (restated)* Continuing Operations £'000s	12 months ended 31 March 2018 (restated)* Discontinued Operations £'000s
Loss after tax attributable to ordinary shareholders (£'000s)	**(26,078)**	**(6,243)**	(8,998)	(18,101)
Weighted average number of shares in issue for basic EPS ('000s)	**91,032**	**91,032**	76,179	76,179
Employee share options ('000s)	**364**	**364**	1,790	1,790
Convertible loan notes ('000s)	**144,554**	**144,554**	–	–
Weighted average number of shares in issue for diluted EPS ('000s)	**235,950**	**235,950**	77,969	77,969
Basic and diluted loss per share	**(28.64)p**	**(6.85)p**	(11.82)p	(23.76)p

*Earnings per share for the year ended 31 March 2018 has been restated for a prior period adjustment to remove the effect of non-controlling interests, which were included in the figures to 31 March 2018 in error.

The total loss per share (continuing and discontinued operations) for 2019 is (35.49)p (2018: (35.58)p).

Diluted earnings per share

The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of all outstanding share options. The potential ordinary shares are considered anti-dilutive as they decrease the loss per share. Therefore, diluted EPS is the same as basic. If all of the share options had been exercised before the period end, the earnings per share would then have been a loss per share of 11.05p (2018: loss of 11.54p) on the continuing operations and a loss per share of 2.64p (2018: loss of 23.21p) on the discontinued operations.

The weighted average number of shares in issue for the year was 91,032,295 and the number of options outstanding was 5,554,550. If these were all exercised the cash raised would be equivalent to that which would be raised by issuing 364,362 shares at the average share price during the year. There were also 232,432,078 convertible loan notes outstanding, of which the weighted average number of shares was 144,553,649. Therefore the weighted average number of dilutive potential ordinary shares is 235,950,306.

16. Goodwill

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

	Group £'000s
Cost	
Carried forward balance 31 March 2018	**69,955**
Impairment	**(18,675)**
Disposal of Real Good Food Ingredients (note 32)	**(905)**
Carried forward balance 31 March 2019	**50,375**

	31 March 2019 £'000s	31 March 2018 £'000s
Real Good Food Ingredients (formerly Garrett Ingredients)	**–**	905
Cake Decoration	**45,344**	64,019
Brighter Foods	**5,031**	5,031
Carried forward	**50,375**	69,955

Assumptions:

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill may be impaired. The recoverable amount of any cash generating unit is determined based on the higher of fair value less costs of disposal and value-in-use calculations. The cash flows used in the value-in-use calculation are EBITDA (adjusted) performance less capital expenditure based on the latest Board-approved forecasts in respect of the following three years.

Long-term growth rate assumptions:

For the purposes of impairment testing, the cash flows are extrapolated over 5 years with a terminal value applied to the fifth year. The terminal value is calculated using the fifth year forecasted EBITDA (adjusted) performance, and applying a 2% growth rate.

Discount rate assumptions:

The discount rate applied to the cash flows is 10% (2018: 11%). This rate is in line with the Company's actual weighted average cost of capital of 9.67% which takes account of the increased risk of being listed on AIM rather than the main market. It is representative of businesses operating within the food sector.

Impairment charge:

The impairment review resulted in an impairment of the goodwill held for Cake Decoration of £18.7 million (2018: impairment of £4.5 million in relation to Garrett Ingredients and Chantilly Patisserie). Cake Decoration is a core division for the Group and is currently in turnaround. The investments made in manufacturing capability in the last couple of years have not yet started to deliver the returns that could be expected, for example, and the Board believes that the current valuation, reflected here, necessarily and materially underplays the potential value of this division. Plans to improve the strategic positioning, service delivery and commercial performance of this business are also in progress.

Following the sale of the trade and assets of Garrett Ingredients Ltd, the £0.9 million goodwill held in relation to this cash generating unit has been written off, as the renamed entity Real Good Food Ingredients Ltd, is no longer a cash generating unit.

Sensitivity analysis:

An illustration of the sensitivity to reasonable possible changes in the discount rate assumption or the long-term growth rate are shown below:

- An increase of 0.5% in the Group's weighted average cost of capital of 10% to 10.5% would cause a further impairment of £3.6 million on the carrying value of goodwill on Cake Decoration.
- A reduction of 0.5% to the growth rate from 2.0% to 1.5% would cause an impairment of £2.8 million on the carrying value of goodwill on Cake Decoration.

The Board has considered these sensitivities and believe that, owing to trading expectations and a strong brand, the recoverable amount would support the value.

	Book value of cash generating unit £'000s	Estimated recoverable amount/value in use £'000s
Cake Decoration	60,334	60,334
Brighter Foods	15,443	63,358

17. Other intangible assets

	Customer Relationships £'000s	Computer Software £'000s	Development Costs £'000s	Group £'000s	Company £'000s
Cost					
At 1 April 2018	4,575	1,372	350	6,297	296
Additions	–	10	–	10	–
Disposals from sale of subsidiary	(405)	(898)	–	(1,303)	–
Disposals	–	(152)	(239)	(391)	–
At 31 March 2019	4,170	332	111	4,613	296
Amortisation					
At 1 April 2018	1,823	950	277	3,050	79
Charge	1,376	59	29	1,464	67
Disposals from sale of subsidiary	(405)	(827)	–	(1,232)	
Disposals	–	(29)	(239)	(268)	–
At 31 March 2019	2,794	153	67	3,014	146
Net Book Value at 31 March 2019	**1,376**	**179**	**44**	**1,599**	**150**
Cost					
At 1 April 2017	473	1,181	291	1,945	249
Reclassification	(32)	99	(67)	–	–
Acquired through business combinations	4,128	–	–	4,128	–
Additions	25	98	126	249	47
Disposals	(19)	(6)	–	(25)	–
At 31 March 2018	4,575	1,372	350	6,297	296
Amortisation					
At 1 April 2017	264	497	29	790	22
Reclassification	(2)	22	(20)	–	–
Charge	1,573	433	268	2,274	57
Disposals	(12)	(2)	–	(14)	–
At 31 March 2018	1,823	950	277	3,050	79
Net Book Value at 31 March 2018	**2,752**	**422**	**73**	**3,247**	**217**

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

The intangible assets held by the Company at 31 March 2019 consist of £132k computer software and £18k development costs.

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

Notes to the Financial Statements (continued)

Year ended 31 March 2019

18. Property, plant and equipment

Group

	Land and Buildings £'000s	Plant and Equipment £'000s	Assets in the course of construction £'000s	Total £'000s
Cost				
At 1 April 2018	16,248	44,874	866	**61,988**
Transfer from assets under construction	467	302	(769)	**–**
Reclassified to non-current assets held for sale	(287)	–	–	**(287)**
Additions	791	2,929	754	**4,474**
Disposals from sale of subsidiary	(13,860)	(22,923)	(357)	**(37,140)**
Disposals	(4)	(2,262)	–	**(2,266)**
At 31 March 2019	3,355	22,920	494	**26,769**
Depreciation				
At 1 April 2018	5,534	26,356	–	**31,890**
Reclassified to non-current assets held for sale	(139)	–	–	**(139)**
Charge	378	2,278	–	**2,656**
Disposals from sale of subsidiary	(5,039)	(17,046)	–	**(22,085)**
Disposals	–	(2,131)	–	**(2,131)**
At 31 March 2019	734	9,457	–	**10,191**
Net Book Value at 31 March 2019	**2,621**	**13,463**	**494**	**16,578**
Cost				
At 1 April 2017	9,825	33,716	3,707	**47,248**
Transfer from assets under construction	1,251	2,456	(3,707)	**–**
Acquired through business combinations	197	2,053	–	**2,250**
Additions	5,089	7,466	866	**13,421**
Disposals	(114)	(817)	–	**(931)**
At 31 March 2018	16,248	44,874	866	**61,988**
Depreciation				
At 1 April 2017	4,829	18,487	–	**23,316**
Reclassifications	309	(309)	–	**–**
Acquired through business combinations	14	337	–	**351**
Charge	395	2,534	–	**2,929**
Disposals	(13)	(695)	–	**(708)**
Impairment Charge*	–	6,002	_	**6,002**
At 31 March 2018	5,534	26,356	–	**31,890**
Net Book Value at 31 March 2018	**10,714**	**18,518**	**866**	**30,098**

*An impairment review conducted in accordance with IAS36 'Impairment of assets' resulted in an impairment of fixed assets of £6.0 million for Haydens Bakery. There is no indication of an impairment of fixed assets in 2019.

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

	31 March 2019 £'000s	31 March 2018 £'000s
Plant and equipment	**1,632**	7,661

Capital commitments in relation to property, plant and equipment are disclosed in note 29.

Details of assets which are secured against borrowings are detailed in note 23.

18. Property, plant and equipment (continued)

Company

	Land and Buildings £'000s	Plant and Equipment £'000s	Total £'000s
Cost			
At 1 April 2018	498	3,672	**4,170**
Additions	–	–	**–**
Disposals	–	(1,993)	**(1,993)**
At 31 March 2019	498	1,679	**2,177**
Depreciation			
At 1 April 2018	21	2,217	**2,238**
Charge	10	303	**313**
Disposals	–	(1,991)	**(1,991)**
At 31 March 2019	31	529	**560**
Net Book Value at 31 March 2019	**467**	**1,150**	**1,617**
Cost			
At 1 April 2017	553	3,629	**4,182**
Additions	–	68	**68**
Disposals	(55)	(25)	**(80)**
At 31 March 2018	498	3,672	**4,170**
Depreciation			
At 1 April 2017	11	1,802	**1,813**
Charge	10	418	**428**
Disposals	–	(3)	**(3)**
At 31 March 2018	21	2,217	**2,238**
Net Book Value at 31 March 2018	**477**	**1,455**	**1,932**

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

	31 March 2019 £'000s	31 March 2018 £'000s
Plant and equipment	**–**	–

19. Investments

Company

Investments in shares of subsidiary undertakings:

	N Brown Foods Limited £'000s	Real Good Food Ingredients Limited £'000s	Renshaw Europe NV £'000s	Total Investments £'000s
At 31 March 2018	53,900	905	770	55,575
Impairment	–	(905)	–	(905)
At 31 March 2019	**53,900**	**–**	**770**	**54,670**

A review of the investments held by the Company was undertaken in the year. This resulted in an impairment charge of £0.9 million (2018: £9.0 million).

The methodology and assumptions used in reviewing the investments were the same as that used in the Goodwill review. See note 16 for full details.

The Group, through Brighter Foods Limited, holds a 15% investment in Boka Foods Limited (2019 and 2018 £81k). Boka Foods is not a subsidiary of Real Good Food plc.

A full list of subsidiary undertakings (showing registered address and shares held) as at 31 March 2019 is disclosed below:

	Principal Activities	Description and Number of Shares Held	Proportion of Nominal Value of Shares Held
RGF Devizes Ltd*	Dormant	4,052,659 Ordinary £1	100%
Eurofoods Ltd*	Dormant	260,000 Ordinary £1	100%
		50,000 Preference £1	100%
N Brown Foods Ltd*	Holding Company	28,248,096 Ordinary 50p	100%
Renshaw US Incorporated*	Cake Decoration Supplier	200 Ordinary $1	100%
JF Renshaw Ltd	Cake Decoration Supplier	15,685,164 Ordinary £1	100%
RGFC Dust Ltd*	Holding Company	1 Ordinary £1	100%
Rainbow Dust Colours Ltd	Cake Decoration Supplier	500 Ordinary £1	100%
Real Good Food Ingredients Ltd*	Food Ingredients Supplier	2,500,000 Ordinary £1	100%
Whitworths Sugars Ltd	Dormant	2 Ordinary £1	100%
Renshaw Europe NV*	Cake Decoration Supplier	461,500 Ordinary €1	100%
Brighter Foods Ltd	Food Ingredients Supplier	506,000 Ordinary £1	84.33%

*Held directly by Real Good Food plc.

All entities have their registered office at 61 Stephenson Way, Wavertree, Liverpool L13 1HN (changed on 12 July 2018), except for the following:

Renshaw Europe NV registered office at Rue Scailquin 60 Boite 29 – 1210 Bruxelles (Sait-Josse-Ten-Noode)

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

Brighter Foods Ltd registered office at 17–18 2nd Floor, Agincourt Square, Monmouth NP25 3DY

20. Deferred taxation liability/(asset)

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

	31 March 2019 Group £'000s	**31 March 2019 Company £'000s**	31 March 2018 Group £'000s	31 March 2018 Company £'000s
Opening position	**906**	**(1,176)**	**(157)**	**(1,274)**
Arising on business combinations	**–**	**–**	872	–
(Credit)/charge to income statement	**(393)**	**(192)**	191	98
Charge/(credit) to other comprehensive income – defined benefit pension scheme movement	**75**	**75**	(100)	(100)
Charge to equity – deferred tax on share based payments	**34**	**34**	100	100
Closing position	**622**	**(1,259)**	**906**	**(1,176)**
Shown as follows:				
Liabilities	**1,881**	**–**	2,035	–
Assets	**(1,259)**	**(1,259)**	(1,129)	(1,176)
	622	**(1,259)**	**906**	**(1,176)**

Group
Deferred tax assets

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

	Share Options £'000s	Pension Scheme £'000s	Total £'000s
At 31 March 2018	(35)	(1,094)	(1,129)
(Credit) to income	–	(239)	(239)
Charge to other comprehensive income	–	75	75
Charge to equity	34	–	34
At 31 March 2019	**(1)**	**(1,258)**	**(1,259)**
Within 12 months	–	–	–
Greater than 12 months	(1)	(1,258)	(1,259)

Deferred tax liabilities

	Intangible Assets £'000s	Tangible Assets £'000s	Total £'000s
At 31 March 2018	1,597	438	2,035
(Credit) to income statement	(151)	(3)	(154)
At 31 March 2019	**1,446**	**435**	**1,881**

There were £12.3 million of unused tax losses (2018: £13.2 million) on which deferred tax of £2.3 million (2018: £2.3 million) is not recognised owing to uncertainty over when those losses will be utilised. The losses have no expiration date.

Notes to the Financial Statements (continued)

Year ended 31 March 2019

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

Company

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

	Provisions £'000s	Pension Scheme £'000s	Share Options £'000s	Total £'000s
At 31 March 2018	(47)	(1,094)	(35)	(1,176)
Charge/(credit) to income statement	47	(239)	–	(192)
Charge to other comprehensive income	_	75	–	75
Charge to equity	_	–	34	34
At 31 March 2019	**–**	**(1,258)**	**(1)**	**(1,259)**
Within 12 months	_	–	–	–
Greater than 12 months	_	(1,258)	(1)	(1,259)

21. Inventories

	31 March 2019 Group £'000s	**31 March 2019 Company £'000s**	31 March 2018 Group £'000s	31 March 2018 Company £'000s
Materials	**4,322**	**–**	5,738	–
Work In Progress	**194**	**–**	364	–
Finished Goods	**2,324**	**–**	4,480	–
	6,840	**–**	10,582	–
Continuing Business	**6,840**	**–**	6,388	–
Discontinued Business	**–**	**–**	4,194	–

Inventories totalling £6,840k (2018: £10,582k) are valued at the lower of cost and net realisable value. The Directors consider that this value represents the best estimate of the fair value of those inventories net of costs to sell.

22. Trade and other receivables

	31 March 2019 Group £'000s	**31 March 2019 Company £'000s**	31 March 2018 Group £'000s	31 March 2018 Company £'000s
Current trade and other receivables				
Trade receivables	**6,755**	**7**	14,556	3
Less: provision for impairment of receivables	**(108)**	**–**	(135)	–
Net trade receivables	**6,647**	**7**	14,421	3
Other receivables	**534**	**–**	408	150
Amounts owed by Group undertakings	**–**	**69,550**	–	76,692
Deferred consideration for disposals (note 32)	**600**	**600**	–	–
Prepayments	**833**	**284**	467	63
Total	**8,614**	**70,441**	15,296	76,908
Amount due within 12 months	**8,614**	**5,265**	15,296	3,370
Amount due after 12 months	**–**	**65,176**	–	73,538
Total	**8,614**	**70,441**	15,296	76,908

At 31 March 2019, the Group did not have an outstanding balance on the invoice discounting facility with Lloyds Banking Group, so none (2018: £13.2 million) of the trade receivables were pledged as security. The facility is available in relation to J F Renshaw and Rainbow Dust Colours GBP, USD and EUR receivables.

22. Trade and other receivables (continued)

Provision for impairment of receivables

	31 March 2019 Group £'000s	31 March 2019 Company £'000s	31 March 2018 Group £'000s	31 March 2018 Company £'000s
At 31 March 2018	**(135)**	**–**	(68)	–
Amount written off through disposal of subsidiary	**116**	**–**	–	–
Charge for period (note 8)	**(100)**	**–**	(146)	–
Uncollectable amount written off	**11**	**–**	79	–
At 31 March 2019	**(108)**	**–**	(135)	–

The Group applies the IFRS 9 simplified approach to calculating its expected credit loss, using a lifetime expected loss provision for trade receivables. To measure expected credit loss, trade receivables are grouped based upon their ageing. The expected losses are based on the Group's historical credit losses for the prior year, and are then adjusted by 50% to account for the current economic climate.

At 31 March 2019 the lifetime expected credit loss for trade receivables in the Group is as follows:

	Less than 30 days old £'000s	30-60 days old £'000s	60-90 days old £'000s	90-365 days old £'000s	Over 365 days old £'000s	Total £'000s
Expected loss rate	1%	2%	3%	6%	100%	
Gross carrying amount	3,876	2,046	312	248	4	6,486
Loss provision	39	41	9	15	4	108

Trade receivables primarily represent blue chip customers with good credit ratings. In assessing and granting credit the Group relies on professional credit rating agencies and has credit insurance policies in place for added protection. There is no concentration of credit risk within trade receivables as the Group trades with a broad base of customers primarily within the UK, over various different sectors.

The creation and release of the provision for impaired receivables has been included in the income statement within administration costs. The Group recognised a charge of £100k (2018: charge of £146k) for impairment of its trade receivables during the period, to reflect debts significantly past their due dates.

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value. The Directors consider the maximum credit risk at the balance sheet date is equivalent to the carrying value of trade and other receivables. This risk is mitigated by the Group's credit insurance policies.

Trade receivables of £1.3 million were past due but not impaired. The ageing analysis of these receivables is as follows:

	31 March 2019 Group £'000s	31 March 2018 Group £'000s
Up to 30 days past due	**1,008**	2,967
One to three months past due	**205**	555
Over three months past due	**127**	216
	1,340	3,738

Notes to the Financial Statements (continued)

Year ended 31 March 2019

23. Borrowings and capital management

	31 March 2019 Group £'000s	31 March 2019 Company £'000s	31 March 2018 Group £'000s	31 March 2018 Company £'000s
Secured borrowings at amortised cost				
Bank term loans	–	–	1,750	1,750
Revolving credit facilities	–	–	8,669	–
Hire purchase	1,636	–	6,406	–
Investor loans*	25,165	25,165	21,398	21,398
Investor loans – Cash Collateral	2,000	2,000	2,000	2,000
Convertible loan notes**	9,550	9,550	–	–
Government grants	278	–	327	–
	38,629	36,715	40,550	25,148
Amount due for settlement within 12 months	668	–	24,160	13,894
Amount due for settlement after 12 months	37,961	36,715	16,390	11,254
Total	38,629	36,715	40,550	25,148

* Accrued interest of £0.7 million at 31 March 2018 is not shown in the above Investor loans, this is shown within accruals in payables. Accrued interest of £2.9m is shown within the number at 31 March 2019.

**Convertible loan notes shown at 31 March 2019 consists of £8.8 million investment, £1.4 million accrued interest, £(0.3 million) fair value adjustment and £(0.3 million) of transaction costs to be spread over the life of the liability.

Government grants represents the amount of grants received for which the criterion to ensure that repayment is not required has not yet been met. Grant monies in respect of which the criteria have been met are included in operating income.

All existing shareholder loans were renegotiated in June 2018 to require repayment in June 2020, and then renegotiated again to defer payment until 17 May 2021. The investor loans shown consists of £22.3 million principal amount and £2.9 million accrued interest up to 31 March 2019.

Convertible loan notes

In May 2018 the Company secured further funding from each of its major shareholders totalling £8.5 million. NB Holdings Ltd and Omnicane Investors Ltd each providing £3.3 million and Downing LLP provided £1.9 million. This instrument has since, with shareholder approval, been replaced with convertible loan notes of £8.8 million with a conversion price of 5 pence. The loan is repayable in 3 years from the date of issue or can be converted at any time into shares at the holder's option.

The instrument accrues interest at a rate of 12 percent per annum accruing daily and will mature and be due for repayment in full on 17 May 2021, unless they are redeemed before that date. On that date, unless the convertible loan notes are converted into ordinary shares on the conversion date, a redemption premium fee will be payable. The redemption fee will be an amount which, when added to the interest accrued on the relevant notes, provides a total return equal to the amount which would have accrued in respect of such notes from the date of the convertible loan note instrument until and including the date the notes are redeemed in full had the interest rate been 30 percent per annum.

A host loan at amortised cost and an embedded derivative liability, being measured at fair value with changes in value being recorded in profit or loss, have been recognised. At 31 March 2019, the derivative liability was valued at £0.3 million.

The convertible loan notes shown consist of a host loan at amortised costs of £8.1 million and £1.4 million accrued interest up to 31 March 2019.

Features of the Group's borrowings are as follows:

The Group's financial instruments comprised cash, hire purchase and finance leases, a revolving credit facility, an overdraft, investor loans 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 government grant is specific to Brighter Foods.

The main risks from the Group's financial instruments are interest rate risk and liquidity risk. Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

The Group also has some currency exposure in relation to its Euro and US Dollar commodity purchases. However, this is mitigated by matching in part against foreign currency sales. The Board reviews and agrees policies, which have remained substantially unchanged for the year under review, for managing these risks.

The Group's policies on the management of interest rate, liquidity and currency exposure risks are set out in the Report of the Directors.

23. Borrowings and capital management (continued)

During the year ended 31 March 2019 the Group continued with the borrowing facilities in place and secured loans from investors. As at 31 March 2019, the borrowings comprised:

- Invoice discounting facility of £8 million with Lloyds Bank plc on a revolving basis with a minimum term of 12 months and a six-month notice period. This facility is secured against the debtors of JF Renshaw Ltd and Rainbow Dust Colours Ltd with an interest rate of 1.5% above Base Rate.
- An overdraft facility with Lloyds Bank plc of up to £2.0 million with two major shareholders (NB Holdings Ltd and Omnicane Investors Ltd) each putting £1.0 million into an account as security (cash collateral). The interest rate on the overdraft is at 3.5% above Base Rate.
- The Group also secured facilities against specific plant and machinery with Lloyds Bank plc and ABN Amro Lease NV totalling £6.3 million. The facilities interest payable is varied per specific agreement, but is generally between 3.5% and 4.0%.

The three major shareholders, NB Holdings Ltd, Omnicane Investors Ltd and certain funds managed by Downing LLP, supported the business and provided significant funding to the Group by way of loans.

The loans at 31 March 2019 were as follows:

Date	Amount	Method of Funding	Major Shareholder(s)
May 2018	£8.8m	Loan notes – transferred to convertible loan notes in Aug 18 with accrued interest to date added (original investment was £8.5m)	NB Holdings Ltd (£3.4m), Omnicane Investors Ltd (£3.4m), Downing LLP (2.0m)
March 2018	£4.0m*	Unsecured loan notes	NB Holdings Ltd (£1.7m), Omnicane Investors Ltd (£1.7m), Downing LLP (£0.6m)
January 2018	£3.0m	Unsecured loan notes	NB Holdings Ltd (£1.3m), Omnicane Investors Ltd (£1.3m), Downing LLP (£0.4m)
September 2017	£4.0m	Loan Facility and loan notes Secured on specific chattel assets	NB Holdings Ltd (£1.33m), Omnicane Investors Ltd £1.33m), Downing LLP (£1.33m)
August 2017	£2.0m	Loan facility (applied as collateral for bank overdraft)	NB Holdings Ltd (£1.0m), Omnicane Investors Ltd (£1.0m)
June 2017	£4.0m	Investor loans	NB Holdings Ltd (£2.0m), Omnicane Investors Ltd (£2.0m)
June 2017	£7.3m**	Loan notes	Downing LLP
Total	**£33.1m**		

* £0.9 million of the funding agreed in March 2018 was received in April 2018.
**Interest is payable on a quarterly basis to the MI Downing Monthly Income Fund up to a principal amount of £0.9 million.

At 31 March 2019 Lloyds Bank plc had a debenture incorporating a floating charge over the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital, buildings, fixtures, intangible assets, fixed plant and machinery. In addition, the banking arrangements with Lloyds Bank plc contain certain cross-guarantees.

Notes to the Financial Statements (continued)

Year ended 31 March 2019

23. Borrowings and capital management (continued)

Liquidity risk management

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Board reviews the Group's liquidity position on a monthly basis and monitors its forecast and actual cash flows against maturing profiles of its financial assets and liabilities.

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

	Less than 1 month £'000s	1-3 months £'000s	3 months to 1 year £'000s	1-5 years £'000s	5+ years £'000s	Total £'000s
2019						
Trade and other payables	6,122	3,719	665	123	–	10,629
Investor loans	–	–	–	24,254	–	24,254
Convertible loan notes	–	–	–	8,807	–	8,807
Government grants	5	12	32	197	31	277
Hire purchase	53	101	465	1,017	–	1,636
NCI put option liability	–	–	–	4,997	–	4,997
	6,180	**3,832**	**1,162**	**39,395**	**31**	**50,600**
Interest	5	10	38	10,234	–	10,287
Total	**6,185**	**3,842**	**1,200**	**49,629**	**31**	**60,887**

	Less than 1 month £'000s	1-3 months £'000s	3 months to 1 year £'000s	1-5 years £'000s	5+ years £'000s	Total £'000s
2018						
Trade and other payables	13,346	6,008	2,864	267	1	22,486
Bank term loans	250	–	1,500	–	–	1,750
Revolving credit facilities	–	–	8,669	–	–	8,669
Investor loans	–	10,144	2,000	11,254	–	23,398
Government grants	5	12	32	198	80	327
Hire purchase	152	267	1,129	4,858	–	6,406
NCI put option liability	–	–	–	4,796	–	4,796
	13,753	**16,431**	**16,194**	**21,373**	**81**	**67,832**
Interest	35	640	684	1,671	–	3,030
Total	**13,788**	**17,071**	**16,878**	**23,044**	**81**	**70,862**

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

23. Borrowings and capital management (continued)

Analysis of market risk sensitivity

Currency risks:

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

The effect of the exposure is calculated as being:

- With an excess of $ assets to $ liabilities, a 10% strengthening of the US dollar would result in an increase in pre-tax profits of £62k. A 10% weakening of the US dollar would result in a decrease of pre-tax profits of £51k.
- With an excess of € assets to € liabilities a 10% strengthening of the Euro would result in an increase in pre-tax profits of £35k. A 10% weakening of the Euro would result in a decrease of pre-tax profits of £29k.

Interest rate risks:

The Group has an exposure to interest rate risk arising from borrowings based upon the Bank of England base rate. However, at the balance sheet date, the Group did not have any outstanding balance on these borrowing facilities, and so the impact of an increase in the applicable interest rates would, all other factors remaining unchanged, not have impacted profits.

Obligation under finance leases

	31 March 2019 Group £'000s	31 March 2018 Group £'000s
Finance lease liabilities – minimum lease payments		
Due within one year	**671**	1,764
Due within one to five years	**1,048**	5,128
	1,719	6,892
Future finance charges on finance leases	**(83)**	(486)
Present value of finance lease liabilities	**1,636**	6,406
The present value of finance lease liabilities is as follows:		
Due within one year	**619**	1,548
Due within one to five years	**1,017**	4,858
	1,636	6,406

It is the Group's policy to lease certain property, plant and equipment under finance leases. For the period ended 31 March 2019 the average effective borrowing rate was 4.0% (2018: 4.0%). Interest rates are fixed at the contract dates. All leases are on a fixed-repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in sterling.

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

24. Trade and other payables

	31 March 2019 Group £'000s	**31 March 2019 Company £'000s**	31 March 2018 Group £'000s	31 March 2018 Company £'000s
Amount due within one year				
Trade payables	**5,809**	**425**	11,419	624
Social security	**626**	**54**	849	95
Deferred consideration	**–**	**–**	4,520	–
Accruals	**3,866**	**1,892**	5,253	2,506
Amounts owed to Group undertakings	**–**	**75,972**	–	72,837
Other payables	**328**	**48**	445	25
Total	**10,629**	**78,391**	**22,486**	**76,087**

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

The deferred consideration of £4.5 million is in relation to the acquisition of Brighter Foods, and was paid in May 2018.

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

25. Financial instruments

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

	31 March 2019 Group £'000s	31 March 2019 Company £'000s	31 March 2018 Group £'000s	31 March 2018 Company £'000s
Loans and receivables at amortised cost				
Cash and cash equivalents	**2,909**	**1,140**	2,731	477
Cash collateral	**2,000**	**2,000**	2,000	2,000
Trade receivables	**6,647**	**7**	14,421	3
Other debtors	**534**	**–**	408	150
Deferred consideration	**600**	**–**	–	–
Amounts owed by Group undertakings	**–**	**69,550**	–	76,692
	12,690	**72,697**	19,560	79,322
Financial liabilities at amortised cost				
Trade payables	**5,809**	**425**	11,419	624
Accruals	**3,866**	**1,892**	5,253	2,506
Other payables	**328**	**48**	445	25
Bank term loans	**–**	**–**	1,750	1,750
Revolving credit facilities	**–**	**–**	8,669	–
Hire purchase	**1,636**	**–**	6,406	–
Investor loans	**27,165**	**27,165**	23,398	23,398
Convertible loan notes	**9,550**	**9,550**	–	–
Deferred consideration	**–**	**–**	4,520	–
Amounts owed to Group undertakings	**–**	**75,972**	–	72,837
	48,354	**115,052**	61,860	101,140
Financial liabilities at fair value through profit and loss				
NCI put option	**4,997**	**–**	4,796	–
Derivative liability	**294**	**294**	–	–
	5,291	**294**	4,796	–
Total	**53,645**	**115,346**	66,656	101,140

The fair value of the NCI put option and the embedded derivative liability as disclosed in the above table are classified as Level 3 in the fair value hierarchy. The fair value of the NCI put option has been determined using discounted cash flow pricing models. The significant inputs include profit, capital expenditure and the discount rate used to reflect the credit risk. The fair value of the embedded derivative liability has been determined using a Monte-Carlo simulation. The significant inputs include volatility, risk-free rate and the time period under analysis.

Capital management

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

The Group's approach to capital management is to fund its working capital requirements by trading generated cash flows supplemented by asset-based lending, which is the most favourable source of finance available to the business at this time, to assist in managing its seasonal requirements.

The three major shareholders, NB Holdings Ltd, Omnicane Investors Ltd and certain funds managed by Downing LLP, support the business and have provided significant funding to the Group by way of loans (note 23).

26. Share capital

	Number of Shares 2019	Number of Shares 2018	31 March 2019 £'000s	31 March 2018 £'000s
Allotted, called up and fully paid equity share capital				
At the beginning of the year (1 April)	**78,449,241**	70,563,501	**1,569**	1,411
Issued in the year	**20,877,094**	7,885,740	**418**	158
At the end of the year (31 March)	**99,326,335**	78,449,241	**1,987**	1,569

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

There are 5,554,550 shares reserved for issue under options, with expiry dates beyond 2019, outstanding at the end of the year.

£1.0 million was raised through an Open Offer in August 2018, with 20,115,190 shares admitted on 17 August 2018, at a price of 5 pence per share. A further 761,904 shares were issued in February 2019 as a result of share options being exercised.

27. Reserves

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

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

Other reserve: Long-term liability arising from non-controlling interest payable upon exercise of the Brighter Foods Limited put option.

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

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

Non-controlling interest: The non-controlling interest represents the 15.67% of Retained Earnings that are owned by the management of Brighter Foods Limited, rather than Real Good Food plc.

28. Equity-settled share option scheme

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

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

	31 March 2019 Number of Share Options	**31 March 2019 Weighted Average Exercise Price (£)**	31 March 2018 Number of Share Options	31 March 2018 Weighted Average Exercise Price (£)
Outstanding at the beginning of the period	**6,930,748**	**0.23**	9,171,350	0.20
Granted during the year	**–**	**–**	–	–
Exercised during the year	**(761,904)**	**(0.05)**	(40,816)	(0.25)
Forfeited during the year	**(614,294)**	**(0.39)**	(2,199,786)	(0.13)
Outstanding at the end of the period*	**5,554,550**	**0.23**	6,930,748	0.23
Exercisable at the end of the period	**5,554,550**	**0.23**	6,322,757	0.21

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

All of the outstanding options have an exercise price within the range of £0.00–£0.50 in both 2019 and 2018.

No new options have been issued during this current period. At the time of the issue of options the inputs into the Black–Scholes option pricing model were as follows:

Expected volatility	35%
Expected life	3 years
Risk-free rate	2.88%
Dividend yield	Nil

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

Owing to the number of forfeited options during the year, the impact on the income statement in relation to the share options was a credit of £37k (2018: a credit of £5k). This is shown in administration expenses in the Company as the majority of the charge relates to employees of the Company.

29. Commitments

Operating lease arrangements

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

	31 March 2019 £'000s	31 March 2018 £'000s
Due within one year	**244**	441
Due between one and five years	**184**	672

Operating lease payments represent rentals payable by the Group in respect of its properties and machinery. For properties, the lease periods are negotiated for an average of 15 years with five-year reviews, and for machinery the lease periods vary up to five years.

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

Capital commitments

	31 March 2019 £'000s	31 March 2018 £'000s
Commitments for the acquisition of property, plant and equipment	**546**	550

30. Related party transactions

Consultancy fees paid to the following entities in which Directors hold a beneficial interest. Fees payable relate to additional services provided to the Group by the Directors.

	Director	**12 months ended 31 March 2019 £'000s**	12 months ended 31 March 2018 £'000s
P Totté	P Totté	**–**	30
P G Ridgwell	P G Ridgwell	**–**	18
The Salter Consultancy LLP	P Salter	**–**	31
More Hours Ltd	H CL Cawley	**–**	55
Brandgrowth LLC	S Dawson	**6**	–
		6	134

Steve Dawson's experience of, and presence in, the US market enables him to provide unique insights into the opportunities in that geography, considerably over and above his role as a director.

Charges of Group services to related parties

Real Good Food plc charged its subsidiaries management fees for the year as follows:

	12 months ended 31 March 2019 £'000s	12 months ended 31 March 2018 £'000s
Brighter Foods Ltd	**240**	–
J F Renshaw Ltd	**720**	720
Haydens Bakery Ltd (prior to disposal)	**150**	360
Rainbow Dust Colours Ltd	**60**	60
R&W Scott Ltd (prior to disposal)	**173**	240
N Brown Foods Ltd	**1**	–
Real Good Food Ingredients Ltd (prior to cessation of trade)	**30**	120
	1,374	1,500

Notes to the Financial Statements (continued)

Year ended 31 March 2019

30. Related party transactions (continued)

Amounts due to subsidiaries

Drawdowns on the revolving invoice discounting facility are paid into the Real Good Food plc bank account, and cash is allocated to the relevant divisions, as required. These amounts are treated as loans between Real Good Food plc and the subsidiaries, both for the money Real Good Food plc has taken from the subsidiary, and any money the subsidiary has received from Real Good Food plc. At 31 March the balances owed by Real Good Food plc to the subsidiaries are as follows:

	12 months ended 31 March 2019 £'000s	12 months ended 31 March 2018 £'000s
Brighter Foods Ltd	**4,028**	4,770
Eurofoods plc	**69**	69
J F Renshaw Ltd	**61,579**	59,019
RGF Devizes Ltd	**1,248**	1,248
Rainbow Dust Colours Ltd	**7,222**	7,729
Real Good Food Ingredients Ltd (discontinued)	**1,826**	–
R&W Scott Ltd (discontinued)	**–**	2
	75,972	72,837

JF Renshaw Ltd and Brighter Foods Ltd are related parties because they are 100% owned subsidiaries of N Brown Foods Ltd, which is a 100% owned subsidiary of Real Good Food plc.

Amounts due from subsidiaries

Real Good Food plc secures some facilities, such as insurance, on a Group basis and recharges an element to the relevant subsidiaries. These, along with the management recharges, are due for payment from the subsidiaries to Real Good Food plc. The below balances reflect these payable trading elements, and the loan payments due from the transfer of funds for use in working capital and capital projects.

	12 months ended 31 March 2019 £'000s	12 months ended 31 March 2018 £'000s
Brighter Foods Ltd	**288**	–
J F Renshaw Ltd	**3,847**	2,021
N Brown Foods Ltd	**57,659**	53,139
Rainbow Dust Colours Ltd	**10**	167
Renshaw Europe SA	**–**	1,082
Renshaw USA Incorporated	**–**	288
RGFC Dust Ltd	**7,746**	6,345
Haydens Bakery Ltd (discontinued)	**–**	9,433
R&W Scott Ltd (discontinued)	**–**	1,364
Real Good Food Ingredients Ltd (discontinued)	**–**	2,853
	69,550	76,692

31. Pensions arrangements

Defined Contribution Scheme. The Group operates a defined contribution scheme for all employees, including provision to comply with auto-enrolment requirements laid down by law.

In addition, the Company operates one defined benefits scheme which was closed to new members in 2000, and closed to future accrual with effect from 5 April 2004. The Defined Benefit scheme is a funded arrangement, with assets held in a separate trustee-administered fund. Members of the Plan are entitled to retirement benefits based on their final salary at date of leaving the Plan (or 5 April 2004 if earlier), and length of service. From 1 April 2016 the Company annual contributions were agreed at £320k for 11 years and eight months, increasing at 4% per annum each April. The Company expects to pay £360k to the Plan for the year commencing 1 April 2019 (2019: £347k). The defined benefit scheme is funded by the Company. The present value of future contributions is currently less than the net liability disclosed as at 31 March 2019, so no additional liability under IFRIC14 arises. A new arrangement has recently been agreed with the Trustee under which repayments will increase to £1 million per year with effect from 1 August 2019.

For the purposes of IAS 19 the data provided for the 31 March 2018 actuarial valuation, has been approximately updated to reflect defined benefit obligations on the accounting basis at 31 March 2019. This has resulted in a deficit in the Plan of £7,403k.

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

	31 March 2019 £'000s	31 March 2018 (restated)* £'000s	31 March 2017 (restated)* £'000s	31 March 2016 £'000s	31 March 2015 £'000s
Present value of defined benefit obligation	**21,177**	21,448	21,319	21,094	21,799
Fair value of Plan assets	**(13,774)**	(13,529)	(13,946)	(15,013)	(16,111)
Deficit/(surplus) in Plan	**7,403**	7,919	7,373	6,081	5,688
Gross amount recognised	**7,403**	7,919	7,373	6,081	5,688
Deferred tax **	**(1,258)**	(1,094)	(1,120)	(1,155)	(1,138)
Net liability	**6,145**	6,825	6,253	4,926	4,550

* following legal advice taken at the time, the Group posted a past service credit into the accounts in the year ended 31 March 2017 in respect of certain pension increases being considered discretionary. Fresh legal advice clarifies these payments are mandatory and so £1.5 million has been added to the defined benefit obligation to cover this requirement. This correction has been adjusted via brought forward reserves from 2017, thus matching the cost and benefit, rather than taken in the current period accounts.

**Deferred tax rate 2016, 2017 & 2018: 17%, 2015: 20%

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

	31 March 2019 £'000s	31 March 2018 (restated)* £'000s
Defined benefit obligation at start of period	**21,448**	21,319
Interest cost	**516**	553
Actuarial losses	**77**	367
Past service loss	**106**	115
Benefits paid	**(970)**	(906)
Defined benefit obligation at end of period	**21,177**	21,448

Notes to the Financial Statements (continued)

Year ended 31 March 2019

31. Pensions arrangements (continued)

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

	31 March 2019 £'000s	31 March 2018 £'000s
Fair value of Plan assets at start of period	**13,529**	13,946
Interest income on Plan assets	**350**	389
Return on assets less interest income	**518**	(232)
Contributions paid by the Group	**347**	332
Benefits paid, death-in-service insurance premiums and expenses	**(970)**	(906)
Fair value of Plan assets at end of period	**13,774**	13,529

The actual return on the Plan assets over the period ended 31 March 2019 was £868k (2018: £157k).

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

	31 March 2019 £'000s	31 March 2018 £'000s
Interest on liabilities	**516**	553
Interest on assets	**(350)**	(389)
Net interest cost	**166**	164
Past service cost	**106**	115
Total cost	**272**	279

Statement of recognised income and expenses

	31 March 2019 £'000s	31 March 2018 £'000s
Actuarial gain/(loss) on the Plan assets	**518**	(232)
Experience gains arising on the Plan liabilities	**427**	–
Actuarial gains on the Plan liabilities arising from changes in demographic assumptions	**436**	114
Actuarial (losses) on the Plan liabilities arising from changes in financial assumptions	**(940)**	(481)
Total amount recognised in Statement of Other Comprehensive Income	**441**	(599)

31. Pensions arrangements (continued)

Assets

	31 March 2019 £'000s	31 March 2018 £'000s	31 March 2017 £'000s
UK equity	**2,667**	1,511	1,907
Overseas equity	**–**	2,952	4,120
Absolute return fund	**1,013**	3,136	3,732
Corporate Bonds	**2,699**	1,105	1,139
Gilts	**3,137**	945	1,646
Multi-Asset Funds	**4,055**	–	–
Property	**–**	83	152
Cash	**203**	1,122	284
Alternative assets	**–**	2,675	2,671
Current assets	**–**	–	610
Current liabilities	**–**	–	(2,315)
Total assets	**13,774**	13,529	13,946

The investment strategy for the Plan is controlled by the Trustees, in consultation with the Company. None of the fair values of the assets shown above includes any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group. Absolute return funds are invested in a diverse range of assets in order to achieve equity-like returns with reduced volatility. Alternative assets include infrastructure and derivatives.

Assumptions

	12 months ended 31 March 2019 %	12 months ended 31 March 2018 %	12 months ended 31 March 2017 %	12 months ended 31 March 2016 %
Inflation	**3.30**	3.10	3.20	2.80
Salary increases	**–**	–	–	–
Rate of discount	**2.40**	2.65	2.85	3.65
Allowance for pension in payment increases				
RPI max 5%	**3.10**	3.00	3.10	2.70
RPI min 3% max 5%	**3.50**	3.40	3.40	3.30
Allowance for revaluation of deferred pensions	**2.30**	2.10	2.20	1.80
Allowance for commutation of pension for cash at retirement	**90% of max allowance**	90% of max allowance	90% of max allowance	90% of max allowance

The obligations of the Plan have been calculated by projecting forwards the figures from the initial results of the latest valuation as at 31 March 2019 and then making appropriate adjustments for known experience and for differences in assumptions.

The mortality assumptions adopted at 31 March 2019 and 31 March 2018 imply the following life expectancies from age 65:

	31 March 2019	31 March 2018
Male retiring at age 65 in current year	**21 years**	22 years
Female retiring at age 65 in current year	**23 years**	24 years
Male retiring at age 65 in 20 years' time	**22 years**	23 years
Female retiring at age 65 in 20 years' time	**24 years**	25 years

The weighted–average duration of the defined benefit obligation at 31 March 2019 was 15 years (2018: 15 years).

Notes to the Financial Statements (continued)

Year ended 31 March 2019

31. Pensions arrangements (continued)

Historic funding positions

The funding positions applicable at the start of each period are as follows:

	12 months ended 31 March 2019 £'000s	12 months ended 31 March 2018 (restated)* £'000s	12 months ended 31 March 2017 (restated)* £'000s	12 months ended 31 March 2016 £'000s	12 months ended 31 March 2015 £'000s
Fair value of assets	**13,774**	13,529	13,946	15,013	16,111
Defined benefit obligation	**(21,177)**	(21,448)	(21,319)	(21,094)	(21,799)
(Deficit) in scheme	**(7,403)**	(7,919)	(7,373)	(6,081)	(5,688)
Experience adjustment on scheme assets	**518**	(232)	652	(1,122)	885
Experience adjustment on scheme liabilities	**427**	–	(103)	–	–

* following legal advice taken at the time, the Group posted a past service credit into the accounts in the year ended 31 March 2017 in respect of certain pension increases being considered discretionary. Fresh legal advice clarifies these payments are mandatory and so £1.5 million has been added to the defined benefit obligation to cover this requirement. This correction has been adjusted via brought forward reserves from 2017, thus matching the cost and benefit, rather than taken in the current period accounts.

Risks

The scheme is exposed to a number of risks, including:

Asset volatility: the Plan's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields; however, the Plan invests significantly in equities. These assets are expected to outperform corporate bonds in the long-term but provide volatility and risk in the short term.

Changes in bond yields: a decrease in corporate bond yields would increase the Plan's defined benefit obligation; however, this would be partially offset by an increase in the value of the Plan's bond holdings.

Inflation risk: a proportion of the Plan's defined benefit obligation is linked to inflation; therefore, higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place). The majority of the Plan's assets are either unaffected by inflation, or only loosely correlated with inflation, therefore an increase in inflation would also increase the deficit.

Life expectancy: if Plan members live longer than expected, the Plan's benefits will need to be paid for longer, increasing the Plan's defined benefit obligation.

The Trustees and Company manage risks in the Plan through the following strategies:

Diversification: In order to counter asset volatility and changes in bond yields, investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

Investment Strategy: the Trustees are required to review their investment strategy on a regular basis and consult with the Company on any changes. The Trustees' investment strategy is set out in the Statement of Investment Principles.

Funding positions: The Trustees are required to assess the funding position annually by means of a formal actuarial report which must be shared with the Company.

Sensitivity analysis

The impact to the value of the defined benefit obligation of a reasonably possible change to one actuarial assumption, holding all other assumptions constant, is presented in the table below:

Actuarial Assumption	Reasonably Possible Change	Obligation Increase	Obligation Decrease
Discount Rate	(+/- 0.5%)	8%	7%
RPI Inflation	(+/- 0.5%)	3%	3%
Assumed Life expectancy	(+/-) 1 Year	5%	5%

Small changes to other assumptions, such as the allowance for commutation of pension for cash at retirement, and the proportion of members assumed to be married at retirement, do not have such a significant effect on the obligations of the Plan.

32. Discontinued operations

During the year ended 31 March 2019, the Group disposed of four subsidiaries. This was consistent with the Group's strategy and allows it to focus on its remaining businesses.

The post tax loss on disposal is shown on the next page:

	£'000s
Cash consideration received	18,014
Cash disposed of	(745)
Less deferred consideration	(600)
Net cash inflow on disposal of discontinued operations	16,669
Net assets disposed of (other than cash)	
Property, plant and equipment	(15,055)
Intangibles	(69)
Inventories	(3,825)
Trade and other receivables	(6,982)
Trade and other payables	6,546
Other	(112)
	(19,497)
Goodwill Impairment	(905)
Net working capital adjustment	(668)
Disposal costs	(1,401)
Accrual for deferred consideration	600
Loss on disposal of four subsidiaries	**(5,202)**

The result of the discontinued businesses contained within these accounts is:

	12 months ended 31 March 2019 £'000s	12 months ended 31 March 2018 £'000s
Total Revenue	**26,365**	**71,035**
Intercompany Sales	**(346)**	(4,697)
External Revenue	**26,019**	**66,338**
Cost of sales	**(21,615)**	(59,753)
Gross Profit	**4,404**	**6,585**
Distribution expenses	**(1,227)**	(2,287)
Administrative expenses	**(4,065)**	(9,287)
Impairment charge	**–**	(10,494)
Loss on disposal	**(5,202)**	(142)
Significant items	**(46)**	(1,477)
Operating loss	**(6,136)**	**(17,102)**
Finance costs	**(107)**	(332)
Loss before tax	**(6,243)**	**(17,434)**
Tax	**–**	(666)
Loss after tax	**(6,243)**	**(18,100)**

Notes to the Financial Statements (continued)

Year ended 31 March 2019

32. Discontinued operations (continued)

The statement of cash flows includes the following amounts in relation to discontinued operations:

	12 months ended 31 March 2019 £'000s
Operating activities	**(10,455)**
Investing activities	**22,150**
Financing activities	**(10,465)**
Net cash from discontinued operations	**1,230**

The earnings per share from discontinued operations are shown below, and are fully disclosed in note 15.

	12 months ended 31 March 2019	12 months ended 31 March 2018 (restated)*
Basic and diluted loss per share	**(6.85)p**	(23.76)p

*Earnings per share for the year ended 31 March 2018 has been restated for a prior period adjustment to remove the effect of non-controlling interests, which were included in the figures to 31 March 2018 in error.

The detail of each sale, and the individual result of disposal is provided here.

Garrett Ingredients Ltd

On 23 April 2018, a sale of trade and assets was completed for Garrett Ingredients Ltd. The results of the sale of assets are shown below. The company name of Garrett Ingredients Ltd was included within the terms of the sale, and subsequently the remaining entity was renamed Real Good Food Ingredients Ltd. This company is no longer trading, but continues to have movement on the Statement of Comprehensive Income in relation to remaining assets.

The post-tax profit on sale of assets within the discontinued operation follows:

	£'000s
Cash consideration received	1,861
Cash disposed of	–
Net cash inflow on disposal of discontinued operation	1,861
Net assets disposed of (other than cash)	
Property, plant and equipment	(1)
Intangibles	(18)
Inventories	(617)
Other	(147)
	(783)
Goodwill Impairment	(905)
Disposal costs	(87)
Profit on disposal of Garrett Ingredients Ltd	**86**

32. Discontinued operations (continued)

Garrett Ingredients Ltd (continued)

The result of the discontinued business contained within these accounts is:

	12 months ended 31 March 2019 £'000s	12 months ended 31 March 2018 £'000s
Total Revenue	**1,263**	**23,868**
Intercompany Sales	**(180)**	(3,668)
External Revenue	**1,083**	**20,200**
Cost of sales	**(481)**	(18,153)
Gross Profit	**602**	**2,047**
Distribution expenses	**(113)**	(759)
Administrative expenses	**(206)**	(1,561)
Impairment charge	**–**	(3,506)
Profit/(loss) on disposal	**86**	(142)
Significant items	**1**	(606)
Operating profit/(loss)	**370**	**(4,527)**
Finance costs	**–**	(53)
Profit/(loss) before tax	**370**	**(4,580)**
Tax	**–**	(211)
Profit/(loss) after tax	**370**	**(4,791)**

The statement of cash flows includes the following amounts in relation to Garrett Ingredients Ltd:

	12 months ended 31 March 2019 £'000s
Operating activities	**568**
Investing activities	**1,868**
Financing activities	**(1,973)**
Net cash from discontinued operation	**463**

Haydens Bakery Ltd

On 6 September 2018, the Group sold Haydens Bakery Ltd to Bakkavor Group plc for a cash consideration of £12.0 million. The results of the sale are shown below. Chantilly Patisserie (a subsidiary of Haydens Bakery Ltd) was not included in the sale, and so the assets and liabilities of the subsidiary were hived up into a company named RGF Patisserie Ltd, part of the Real Good Food Group, prior to sale.

The post-tax loss on disposal is shown on the next page:

Notes to the Financial Statements (continued)

Year ended 31 March 2019

32. Discontinued operations (continued)

Haydens Bakery Ltd (continued)

	£'000s
Cash consideration received	12,000
Cash disposed of	(519)
Net cash inflow on disposal of discontinued operation	11,481
Net assets disposed of (other than cash)	
Property, plant and equipment	(10,943)
Intangibles	(51)
Inventories	(1,440)
Trade and other receivables	(4,107)
Trade and other payables	4,232
	(12,309)
Net working capital adjustment – completion accounts	(668)
Disposal costs	(657)
Loss on disposal of Haydens Bakery Ltd	**(2,153)**

The result of the discontinued business contained within these accounts is:

	12 months ended 31 March 2019 £'000s	12 months ended 31 March 2018 £'000s
Total Revenue	**14,602**	**36,206**
Intercompany Sales	**–**	–
External Revenue	**14,602**	**36,206**
Cost of sales	**(12,941)**	(32,576)
Gross Profit	**1,661**	**3,630**
Distribution expenses	**(472)**	(881)
Administrative expenses	**(2,168)**	(5,189)
Impairment charge	**–**	(6,988)
Loss on disposal	**(2,153)**	–
Significant items	**(47)**	(731)
Operating loss	**(3,179)**	**(10,159)**
Finance costs	**(79)**	(204)
Loss before tax	**(3,258)**	**(10,363)**
Tax	**–**	99
Loss after tax	**(3,258)**	**(10,264)**

The statement of cash flows includes the following amounts in relation to Haydens Bakery Ltd:

	12 months ended 31 March 2019 £'000s
Operating activities	**(10,788)**
Investing activities	**17,108**
Financing activities	**(5,666)**
Net cash from discontinued operations	**654**

32. Discontinued operations (continued)

R&W Scott Ltd

On 19 December 2018, R&W Scott Ltd was sold to its management team for a cash consideration of £3.95 million, with £0.5 million deferred until September 2019. The results of the sale are shown below.

The post-tax loss on disposal follows:

	£'000s
Cash consideration received	3,953
Cash disposed of	(225)
Less deferred consideration	(500)
Net cash inflow on disposal of discontinued operation	3,228
Net assets disposed of (other than cash)	
Property, plant and equipment	(4,046)
Inventories	(1,622)
Trade and other receivables	(2,568)
Trade and other payables	1,883
Other liability	35
	(6,318)
Disposal costs	(517)
Accrual for deferred consideration	500
Loss on disposal of R&W Scott Ltd	**(3,107)**

The result of the discontinued business contained within these accounts is:

	12 months ended 31 March 2019 £'000s	12 months ended 31 March 2018 £'000s
Total Revenue	**9,402**	**10,961**
Intercompany Sales	**(166)**	(1,029)
External Revenue	**9,236**	**9,932**
Cost of sales	**(7,316)**	(9,024)
Gross Profit	**1,920**	**908**
Distribution expenses	**(565)**	(647)
Administrative expenses	**(1,523)**	(2,537)
Impairment charge	**–**	–
Loss on disposal	**(3,107)**	–
Significant items	**–**	(140)
Operating loss	**(3,275)**	**(2,416)**
Finance costs	**(28)**	(75)
Loss before tax	**(3,303)**	**(2,491)**
Tax	**–**	(554)
Loss after tax	**(3,303)**	**(3,045)**

The statement of cash flows includes the following amounts in relation to R&W Scott Ltd:

	12 months ended 31 March 2019 £'000s
Operating activities	**(207)**
Investing activities	**3,146**
Financing activities	**(2,826)**
Net cash from discontinued operation	**113**

Notes to the Financial Statements (continued)

Year ended 31 March 2019

32. Discontinued operations (continued)

RGF Patisserie Ltd

On 1 February 2019, the newly formed RGF Patisserie Ltd was sold to its management team for a cash consideration of £0.2 million, with £0.05 million deferred until the first anniversary of the sale, and a further £0.05 million deferred until the second anniversary of the sale. The results of the sale are shown below.

The post-tax loss on disposal follows

	£'000s
Cash consideration received	200
Cash disposed of	(1)
Less deferred consideration	(100)
Net cash inflow on disposal of discontinued operation	99
Net assets disposed of (other than cash)	
Property, plant and equipment	(65)
Inventories	(146)
Trade and other receivables	(307)
Trade and other payables	431
	(87)
Disposal costs	(140)
Accrual for deferred consideration	100
Loss on disposal of RGF Patisserie Ltd	**(28)**

The result of the discontinued business contained within these accounts is:

	12 months ended 31 March 2019 £'000s	12 months ended 31 March 2018 £'000s
Total Revenue	**1,098**	**–**
Intercompany Sales	**–**	–
External Revenue	**1,098**	**–**
Cost of sales	**(877)**	–
Gross Profit	**221**	**–**
Distribution expenses	**(77)**	–
Administrative expenses	**(168)**	–
Loss on disposal	**(28)**	–
Significant Items	**–**	–
Operating loss	**(52)**	**–**
Finance costs	**–**	–
Loss before tax	**(52)**	**–**
Tax	**–**	–
Loss after tax	**(52)**	**–**

The statement of cash flows includes the following amounts in relation to RGF Patisserie Ltd:

	12 months ended 31 March 2019 £'000s
Operating activities	**(28)**
Investing activities	**28**
Financing activities	**–**
Net cash from discontinued operation	**–**

33. Assets held for sale

Following the sale of the trade and assets of Garrett Ingredients Ltd, the Group was left with an office building near Bristol, which was no longer required. The property has been advertised for sale with local estate agents since July 2018, and we hope to find a suitable buyer in the near future.

As such, the asset is classified as held for sale within the consolidated statement of financial position at 31 March 2019.

34. Post-year end activities

1. On 30 May 2019, London Stock Exchange determined a public censure of the Company and a fine of £450,000, discounted to £300,000 for early settlement. The public censure related to breaches of the AIM Rules for Companies ("AIM Rules") 10, 13, 17, 19, 21 and 31 which occurred in the period to July 2017. The fine was settled in early June 2019.
2. On the same day, the following Board changes were made:
    - The Interim Non-Executive Chairman, Patrick Ridgwell, retired from the Board, and Mike Holt, Independent Non-Executive Director, was appointed Non-Executive Chairman, relinquishing his role as Chair of the Audit Committee;
    - Judith MacKenzie, Non-Executive Director, was appointed as Chair of the Audit Committee, relinquishing her role as Chair of the Remuneration Committee;
    - Steve Dawson, Non-Executive Director, became Chair of the Remuneration Committee; and
    - Anthony Ridgwell, the principal beneficiary of Napier Brown's holding in the Company, joined the Board as a Non-Executive Director.
3. On 15 July 2019, Maribeth Keeling was appointed as Chief Financial Officer.
4. On 31 July 2019, Christopher Thomas, Non-Executive Deputy Chairman retired from the Board.
5. On 9 August 2019, the Shareholder Loans were extended to 17 May 2021.

Shareholder Notes

Advisors and Company Information

Directors

M J Holt
H C L Cawley
M Keeling
J M d'Unienville
A P Ridgwell
J A Mackenzie
S Dawson

Company Secretary

H C L Cawley

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Registered Number

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Auditor

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