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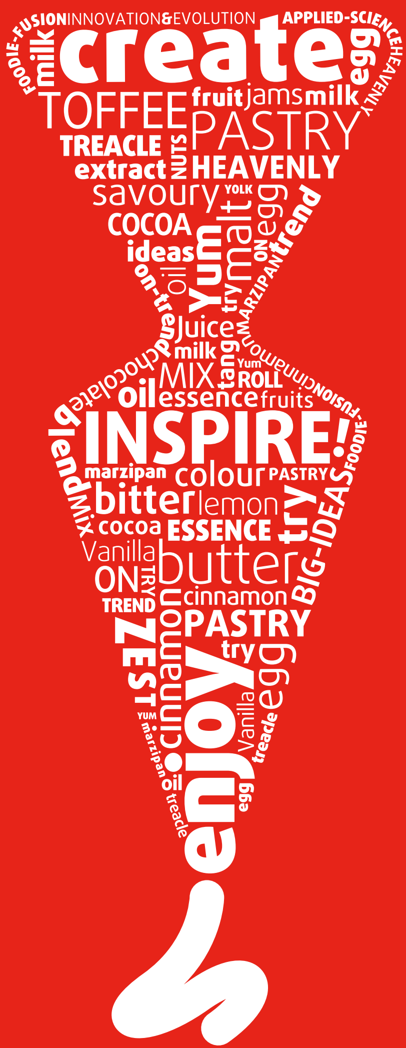
Real Good Food plc

Annual Report and Accounts For the year ended 31 March 2020

Stock code: RGD

Real Good Food plc

Cake Decoration • Food Ingredients



Annual Report and Accounts
For the year ended 31 March 2020

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 increased by 8.1% from £61.6 million to £66.6 million.
- During a period of transition, the Group delivered an adjusted EBITDA* on continuing businesses of £3.3 million against £1.9 million in the prior year.
- Following disposals in the prior year, the two remaining divisions, Cake Decoration and Food Ingredients are profitable (before impairment, depreciation, amortisation and significant items) and generated an adjusted EBITDA* of £6.8 million before central costs.
- Central costs have reduced by £0.4 million from £3.9 million to £3.5 million.
- Goodwill has been impaired this year by £12.6 million (2019: £18.7million), to reflect the value today of the continuing businesses; covid-19 impact has been reflected in the impairment.
- Net debt stood at £45.4 million (2019: £35.7 million), being predominantly shareholder loans, of which £12.3 million is in the form of convertible loan notes. The loan interest in the year is £5.0m, of which £0.5m has been paid.

Operational highlights

- The Group now constitutes two main divisions, Cake Decoration (trading under the brand names of Renshaw and Rainbow Dust Colours) and Food Ingredients (trading as Brighter Foods). Brighter Foods has made significant progress in earnings and revenue since March 2019 outperforming the Board's expectations. Meanwhile, Cake Decorations is still in the last phases of turnaround, demonstrating an ability to win new business from a streamlined cost base.
- Overall, the underlying adjusted EBITDA on continuing activities of the Group improved by £1.4 million, from £1.9 million to £3.3 million due to the headway gains in Brighter Foods and lower central costs more than offsetting the lower (short term) profits in Cake Decorations.
- Brighter Foods yielded significant benefits during the year to 31 March 2020. Revenue increased by £10.1 million (66%) to £25.3 million and operating profit more than doubled to £2.9 million during the year. More importantly this growth continued despite the set-back of covid-19 at the start of the current year.
- Cake Decoration had come under pressure owing to the UK declining market for sugar paste (-14.7%) and marzipan (-2.1%). However, Renshaw's sales outperformed the underlying market decline. Frostings are a growing market, and the business is well placed in this segment following recent investment. Renshaw also signed a new exclusive distribution agreement with Decopac, the largest distributor of cake supplies in the US to assist in growing their share of the US market.

Current Trading

- The impact of covid-19 was seen in the first quarter, as many customers felt the impact of lockdown. However, with lockdown restrictions easing, trading has improved in both divisions with quarter 3 (October 2020 to December 2020) sales in line with FY20 and in-line with Board expectations.
- Within Cake Decorations, where the operating structure has been significantly improved, the focus is on strengthening customer relationships, enhancing customer service and growing sales through new product launches and category expansion. There have been new client wins since the year end both in the Retail and B2B markets; overseas markets have recovered well. Since the start of the financial year, the business has successfully launched over 40 new products which generated over £2 million of sales on an annualised basis.
- Brighter Foods, after the initial impact of the lockdown, has continued to grow its earnings from a wider customer base than this time last year. Q3 earnings are on target to be ahead of FY20
- The Board is reviewing all initiatives to improve the capital structure of the Group.

*adjusted EBITDA

GROUP REVENUE
£66.6m
2019
£61.6m

GROSS PROFIT
£27.0m
2019
£18.0m

GROUP EBITDA (adjusted)
£3.3m
2019
£1.9m

Financial information presented relates to continuing operations.

The Group in Summary

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

The divisions

Cake Decoration: Renshaw and Rainbow Dust, and Food Ingredients: Brighter Foods 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. 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.

Head Office

Central functions have further been reduced, and now comprise only Finance, in addition to the plc Board.

Real Good Food

Cake Decoration • Food Ingredients

Cake Decoration

REVENUE
£41.2m
2019 £46.4m

EBITDA Profit (adjusted)*
£1.8m
2019 £3.0m

OPERATING Profit (LOSS)
£(13.4)m
2019 (£17.3)m

EMPLOYEES
339
2019: 376

Read more on page **08**

Food Ingredients

REVENUE
£25.3m
2019 £15.2m

EBITDA Profit (adjusted)*
£5.0m
2019 £2.8m

OPERATING Profit
£2.9m
2019 £1.2m

EMPLOYEES
281
2019: 194

Read more on page **09**

HEAD OFFICE

EBITDA (adjusted)*
£(3.5)m
2019 (£3.9) m

OPERATING (LOSS)
£(4.0)m
2019 (£5.4)m

EMPLOYEES
4
2019: 15

*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, 300 employees

Rainbow Dust Colours: Preston, 32 employees

Renshaw Europe: Liverpool & Europe, 5 employees

Renshaw Americas: New Jersey, 2 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, 281 employees

Chairman's Statement

Overview

I am pleased to report that Real Good Food has continued to make further progress in its journey of rebuilding shareholder value, with ongoing support from its principal investors.

The Group has faced a number of challenges. JF Renshaw, the main component of the Cake Decorations business unit, sells into mature markets with increasing competition, particularly within the retail sector, and operates out of an aged site in Liverpool with a higher than sector average wage bill. Despite this a re-vitalised management team led by Steve Moon is making good progress with tangible improvements being delivered in relation to customer service, product quality and product innovation. Some cost improvements have been achieved but more is needed to generate acceptable returns whilst remaining competitive. In summary, the Cake Decoration business is now more customer focused and is beginning to recreate and leverage the value of the Renshaw brand, albeit the progression is steady rather than transformational at this stage. Progress is being accelerated. For the year to 31 March 2020, results were impacted by declining sugar paste demand, but the business unit managed to make a modest profit at adjusted EBITDA level. Clearly, as noted in our AGM trading update on 23 September 2020, revenues and profits have been impacted by covid-19 during the current year due to the restrictions on social gatherings impacting the UK Wholesale market but progress is continuing to be made to make this business less dependent on the maturing sugar paste and marzipan markets through product innovation; new product launches having been made with Tesco, Waitrose and Marks & Spencer.

In contrast, recent investments to increase the production capacity of Brighter Foods yielded significant benefits during the year to 31 March 2020. Revenue increased by £10.1 million (66%) to £25.3m and profits more than doubled to £2.9 million during the year. More importantly this growth has continued despite the set-back of covid-19 at the start of the current year. The business has continued to gain traction with several new blue-chip customers leveraging its reputation and ability to introduce top quality new products quickly and effectively.

We have made an impairment charge of £12.6m in respect of the carrying value of Cake Decoration given lower profits in the year, the impact of covid-19 and improvement challenges at the Liverpool site. However, it is our belief that further impairments can be avoided given the current initiatives within JF Renshaw and the opportunity and need to accelerate progress.

Overall, the underlying adjusted EBITDA on continuing activities of the Group improved by £1.4 million, from £1.9 million to £3.3 million (see note 5) due to the headway gains in Brighter Foods and lower central costs more than offsetting the lower (short-term) profits in Cake Decorations. A lot of work is underway to build on this upward momentum.

The level of total indebtedness remains a matter of concern, net debt having risen from £35.7 million to £45.4 million largely as a result of the accrued redemption premium on investor loans and convertible loan notes which totalled £5.0 million. I am pleased to report that an agreement has been reached with the investors to extend the repayment date of these loans from 17 May 2021 to 19 May 2022 with no change to the interest rate payable on the loans. The convertible loan notes (CLNs) will reduce from 30% per annum to 12% per annum effective from 31 December 2020. The Independent Directors believe this to be appropriate given limited alternative forms of funding and finance at the present time.

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 in the composition of the Board since April of last year. Anthony Ridgwell joined the Board in May 2019 as a Non-Executive Director replacing his father, Pat Ridgwell. Steve Dawson stepped down as a Non-Executive Director in August 2019, due to executive commitments elsewhere, and was replaced by Gail Lumsden who joined the Board in October 2019. After leading the divestment of a number of non-core businesses, Hugh Cawley stepped down from his role as Chief Executive Officer in September 2019. From October 2019, Paul Richardson served as a part-time Executive Director with responsibilities for Corporate Affairs and Governance until stepping down in March 2020 to pursue a full-time position in another company. I became Non-Executive Chairman in June 2019 after Pat Ridgwell stepped down. Following Paul Richardson's move, I effectively became Executive Chairman, and this was confirmed by the Board last month. The Managing Directors of the two business units report to me and are responsible for the delivery and execution of their respective business unit strategies.

Following these changes, the Board is now stable and, in my opinion, more aligned, effective, and focused on sorting things out to rebuild shareholder value and simplify the capital structure. I am also keen to engage with minority shareholders to ensure their voices are heard and that, notwithstanding the unusual composition of the Board, that the right decisions are made for all stakeholders.

Corporate Governance

The Board is very mindful of the issues and problems in relation to corporate governance during the period 2016 to early 2018 and is fully aligned with the importance of sound corporate governance. The Group is governed through the Board and its Committees, namely Audit Committee and the Remuneration Committee. Further details of the work carried out by these committees is in the Reports on pages 23 and 25.

Strategy

The Group's strategy is set out in more detail later in the Strategic Review, but, in summary, the Group has two autonomous business units which are leaders in their chosen markets and have the potential to deliver better quality profits and net cash inflows for the Group. Management actions have been taken within Cake Decoration to continue to work with customers on innovation and to build long term customer relationships, improving operational efficiencies further and growing sales in the UK and internationally. Food Ingredients has successfully scaled up its production capacity and will continue to broaden its customer base and seek profitable ways to grow its business further.

Outlook

We are fully committed to improving the Group's financial performance, reducing its debt burden, and normalising its capital structure. The Board is actively pursuing a range of options to restructure the Group and simplify its capital structure. Clearly, covid-19 has impacted financial performance, and some options, but both businesses have been reasonably resilient, albeit aided by the Government's Job Retention Scheme. The uncertainties of covid-19 remain, but they are expected to ease during 2021. Brexit ought to be more positive than negative for the Group as a whole.

Finally, I would like to thank our employees who have worked hard to overcome various challenges, during the covid-19 crisis, to ensure that products and customer service continued (and continue) to be delivered.

Mike Holt

Executive Chairman
18 December 2020

Strategic Review

2019/20 performance

Overall revenue from continuing businesses increased from £61.6 million to £66.6 million, with an increase of £10.1 million (66%) within Food Ingredients and Cake Decoration's sales being down by £5.2 million (11%). The increase within Food Ingredients reflects the increase in capacity from an additional production line installed during the year and sales to a new blue-chip customer gained in January 2020. Although Cake Decorations outperformed the sector, market demand for marzipan and sugar paste declined during the year. The delay in the launch of frostings also impacted FY20. However, with the new plant in Liverpool now fully operational, we will see the benefit of this growing market in FY21. The increase in sales by Food Ingredients was the main driver for the step-change in profitability, buoyed by improved operational efficiencies particularly in relation to waste levels; underlying adjusted EBITDA for Food Ingredients increased from £2.8 million to £5.0 million. In Cake Decoration, underlying adjusted EBITDA decreased from £3.0 million in 2019 to £1.8 million in 2020, owing to the reduced sales partly offset by the lower overhead costs; savings in overhead costs were £0.9 million.

Over the last two accounting periods, significant costs (both cash costs and non-cash costs) have been recognised in the turnaround of the Cake Decoration business; restructuring costs necessary to align overheads, 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. There are a number of initiatives ongoing within the Cake Decorations business to make it stronger and more profitable. There are also a range of other options being evaluated to enhance returns from this business. The onset of the covid-19 crisis, forcing many countries into lockdown, impacted sales and profitability during the final quarter of FY20, and has continued throughout FY21. There will be further costs incurred in FY21 within the Cake Decorations business to ensure the infrastructure and operational facilities are able to deliver the sales growth and improved profitability that the Board believe is achievable.

The Group's central resources have been pared back and opportunities are continually sought to reduce these further, consistent with good governance. The Group retains higher levels of shareholder debt than is ideal, the coupon on which was determined in less profitable times. This interest burden, almost all of which is rolled-up, will remain for the foreseeable future.

	31 March 2020 £'000s	31 March 2019 £'000s
Loss before taxation of continuing businesses	**(20,147)**	(26,090)
Depreciation of property, plant, and equipment	**2,375**	1,573
Impairment charge	**12,909**	18,675
Amortisation of intangibles	**1,538**	1,454
Significant items	**1,031**	1,717
Finance costs	**5,432**	4,406
Other finance costs	**169**	166
EBITDA (adjusted) Profit	**3,307**	1,901

Capital structure

The Group manages the capital structure and reviews the requirements in response to economic conditions.

During the course of the financial year, the Group secured a total credit facility of £8.87 million from Leumi ABL Limited, enabling RGF to repay certain debt facilities provided by the Company's three major shareholders, NB. Ingredients Limited, Omnicane International Investors Limited, and certain funds managed by Downing LLP. The facilities consisted of a £5.45m revolving credit facility, a £1.3m term loan both on 60 months ending August 2024, and a £2.12m plant and machinery facility on 36 months ending August 2022.

The maximum draw down value during FY20 occurred in September 2019, being £2.0m. This was used to build stock for the Christmas sales in Cake Decorations. The lowest month was August 2019, when no draw down was required, as there was a credit balance in the revolving credit facility of £0.4m.

The Board recognises that the Group's level of debt is higher than expected for a business like Real Good Food. However, 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 revolving credit facility. As at 31 March 2020 there was no bank overdraft. 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

Having agreed budgets for the year, these quickly became obsolete before the start of FY21 owing to covid-19. The business set a new budget taking into account the impact of the lockdown in the UK and worldwide. The revised budget reduced sales by c.£9m from the original budget, as a result of our customer's clients having to close during lockdown. Brighter Foods' largest customer was required to close as part of the lockdown.

Both businesses being food manufacturers have remained open during the lockdown period. However, sales have been lower than would normally be the case. In common with other companies, RGF is reviewing all options to mitigate the impact of the reduced sales. Both businesses have taken advantage of the government job retention scheme and have deferred the repayment of the VAT to conserve cash. We prepare the business forecast on varying levels of revenues and have modelled the effect of these to ensure appropriate action can be taken if required. So far, the performance of each of the businesses is aligned with the Board's expectations and central costs are as expected. The Cake Decoration market in the UK, particularly in the retail sector, is proving increasingly competitive, but we are confident that we can leverage experience and expertise to deliver what our customers need and want. The Food Ingredients division's growth plans are well-established, with a focus on innovative bars that exceed customer expectations. The future for both businesses is positive. However, the recovery from covid-19 is impacting the Group for the FY21 financial year. The Group is working to ensure that both divisions have a strong sustainable base to capitalise on opportunities that may arise from the current situation. There are also the uncertainties of Brexit and we are mindful that both businesses serve Europe with the Cake Decoration business having a European operation which may be impacted and

Strategic Review (continued)

Brighter Foods having key customers in Europe. The Group is preparing for Brexit as best it can given the uncertainty around the government negotiations for a trade deal with Europe.

After another challenging year in the period to 31 March 2020, the Board wishes to thank all the Group's and businesses' stakeholders for their understanding and continued support. Although covid-19 will impact FY21, the expectation is that the Group sales performance in quarter 4 FY21 will be in line with pre Covid 19 sales; this is dependent on no further lockdown measures being imposed.

Group strategy

The Board's strategy is to have two profitable cash generative businesses. The turnaround plan in Cake Decorations continues to build on the work undertaken last year and setting a refreshed and invigorated strategy for the business. There have been some key changes in the Cake Decoration business following an in-depth review to identify functions that would be better carried out by a specialist provider. Consequently, a decision was taken to outsource warehousing and distribution to a first-class third-party provider and as a result the business is already seeing the improvements in customer service. The business has also strengthened its senior team in New Product Development (NPD) and Marketing to drive greater focus on innovation and sales growth. The strategy for the Food Ingredients division continues to be focused on delivering great products for our customers, as evidenced by the significant growth in that business. The investment in a new production plant of £3.2 million has resulted in an increase in sales of £10.1m this year.

The Group central resources have reduced significantly. Central resources are now limited to functions that relate to finance and general management.

Summary and Outlook

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 that is more fit for purpose. The Board is also actively evaluating a range of options, for both businesses, to maximise shareholder returns.

The lockdowns since late March 2020 in the UK and elsewhere have had a significant impact on our sales in FY21. The businesses have continued to operate and work with customers to deliver products. The Group sales are ahead of the covid-19 budget prepared in March and we continue to see sales returning to pre covid-19 times. However, with the possibility of new lockdown restrictions, this is under constant review. The Board have taken actions to conserve cash and have also used the government furlough scheme. The Group remains focused on continuing to improve its performance, reduce net debt and thereby increase shareholder value and returns.

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, it 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 bringing innovation to the market, leading to new trends in the cake decorating sector and investing in communication through digital channels 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 food ingredients sector is a greater emphasis on healthy eating. Health considerations are now prevalent throughout the food chain 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 which is now estimated to be worth over £360 million at RSP.

Divisional Business Review

Real Good Food

Cake Decoration

2019/20 Performance

In a transitional year, the result for Cake Decoration was disappointing with an adjusted EBITDA lower than the previous year. This was driven by a slower than expected completion of the investment in the soft icing plant which went into production in quarter three. This production line gives additional, large scale, manufacturing capability for frostings and other soft icing products which are becoming increasingly popular due to their ease of use for the novice baker and decorator.

UK sales came under pressure owing to the declining market for sugarpaste (-14.7%) and marzipan (-2.1%)[1]. Although Renshaw's sales outperformed the underlying market decline, there were reduced sales in the Retail and Wholesale sectors. The manufacturing sector, although slightly behind, was showing a growing momentum in the final quarter. The International market decline was owing to one customer who reduced volumes in FY20 owing to uncertainty with Brexit. Sales to the US are down year on year owing to a change in stocking policy with a major customer.

In line with the company strategy, an agreement was signed in October 19 with Decopac, the largest distributor of cake supplies in the US, for the sole distribution rights for the US market. The Board understand that the agreement implies significant sales targets in what we consider an important market for Renshaw in the future.

During the year, changes have been made to the Senior Management structure as well as strengthening the Marketing function to ensure the customer is at the heart of the business. Although there remain further opportunities for improvement, Renshaw remains a strong brand in the sector.

Further work and efforts will continue throughout FY21 to enhance products, develop new products which delight our customers and streamline our sales and operational processes.

Forward plans

The business continues a growth strategy focused on increased supply of everyday convenience products under its own and customers' brands. The investment in the soft icings plant will benefit from the growing frostings market which is expected to grow by c5%[1]. Export growth is focused on North America where the company has identified the greatest potential to grow sales. Following the successful closure of the Brussels warehouse in FY19 and fulfilling European sales from the UK, the closure of the US based warehouse will be undertaken in FY21 with sales being shipped directly from the factory in Liverpool to the US. The business continues to implement organisational changes that will result in a more streamlined business which is focused on growth opportunities, efficiency savings and an improvement in overall performance.

Covid-19

As a food manufacturer, the business has remained open during the lockdown period. Our priority is the safety of our staff whilst supplying our customers with the highest quality product. All required changes to meet covid-19 requirements have been carried out at the sites.

The impact in FY20 has been limited with a reduction in sales in the final few weeks of FY20, across all sectors. Some specialist retailers closed, and the major retailers were focussed on getting core commodities into the stores whilst the Wholesale Sector saw many of their own clients having to close. An updated forecast has been prepared in light of the lockdown restrictions. The business is currently operating in line with this forecast.

REVENUE
£41.2m
EBITDA Profit (adjusted)*
£1.8m
OPERATING LOSS
£(13.4)m

12 months to March	2020 £'m	2019 £'m
Revenue	**41.2**	46.4
EBITDA (adjusted)*	**1.8**	3.0
Impairment charge	**(12.6)**	(18.7)
Operating (loss)	**(13.4)**	(17.3)
Operating (loss)%	**(32.5%)**	(37.3%)

*See note 5 for reconciliation

1. Kantar data to Dec 19

Real Good Food

Food Ingredients

2019/20 Performance

Brighter Foods 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 sales by 66% in the year ended 31 March 2020 owing to the new B3 plant that started production in March 2019. The investment of £3.2 million to increase the capacity resulted in an increase in sales of c£10 million. There were some challenges during the early period of production that had a negative impact on the EBITDA of c£0.5 million owing to levels of excess waste, however the waste is now in line with expectations. The new equipment gave Brighter Foods the capacity to bring on board a new blue-chip customer in January 2020.

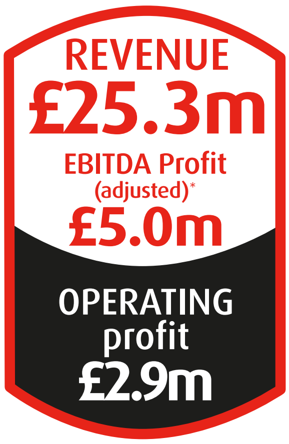
Forward plans

Following the covid-19 government lockdown, some of the areas that Brighter Food customers trade in have been impacted, such as the travel industry and the ‘food on the go’ culture. This has resulted in new product launches being delayed until later in the year, this will impact sales in FY21, however the customers will remain, albeit with lower sales owing to covid-19 impact in the first quarter. The business is known for its innovation and this is continuing in FY21.

Once the lockdown position is eased in Wales, Brighter Foods is well-positioned as it is in the health and wellness market, to continue the growth in revenue which has characterised every other year of the business since its formation in 2014.

Covid-19

As a food manufacturer, the business has remained open during the lockdown period. Our priority is the safety of our staff whilst supplying our customers with the highest quality product. The business has made the required changes to comply with all covid-19 restrictions. The impact in FY20 has been minimal owing to the communications with customers and production planning, however there will be an impact on sales in FY21. The business has used the government furlough scheme to offset the lower sales and retain staff. A new forecast was prepared following the covid-19 impact, and the business is currently ahead of the plan.



12 months to March	2020 £'m	2019 £'m
Revenue	**25.3**	15.2
EBITDA (adjusted)*	**5.0**	2.8
Operating profit	**2.9**	1.2
Operating profit %	**11.5%**	7.8%

*See note 5 for reconciliation

Finance Review

Revenue

Group revenue of the continuing businesses for the 12 months ending 31 March 2020 is £66.6 million (2019: £61.6 million), an increase of 8.1% on the revenue to 31 March 2019. This results from an increase in Brighter Foods of £10.1m (66%) and a decline in Cake Decoration of £5.2m (11%). The decrease in Cake Decoration is a result of the declining market in sugarpaste and marzipan, and the delay in the production of frostings that is a growing market in the cake decorations business. The Brighter Foods increase was driven from securing a new Blue-Chip customer in January 2020 and sales were generated in the final quarter of the financial year as well as organic growth from existing customers.

Profit measure on operations

Gross profit on the continuing businesses for the overall Group was £27.0 million (2019: £18.0 million). At 35.4%, the delivered margin in the year, was significantly above the prior year of 23.7%, 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 £14.5 million is reported after an impairment charge on goodwill of £12.6 million (see note 16), depreciation and amortisation charge of £3.9 million and significant costs of £1.0 million.

The EBITDA for the Group is a loss of £10.6m. The adjusted EBITDA is the underlying continuing business profitability of £3.3m.

The two items that are adjusted for are :

Impairment charge: £12.9m

Significant Items: £1.0m

The significant costs incurred relate to the Cake Decoration business and are predominantly for redundancy costs as part of the turnaround. The number of indirect employees reduced year on year is 17 across the business.

The impairment charge is against JF Renshaw. The Board, having considered the trading expectations, are happy that the recoverable amount would support the revised value in the accounts.

After finance costs of £5.6 million, this resulted in a loss before tax for the year of £20.1 million (2019: loss of £26.1 million) for continuing businesses. This equates to a basic loss per share of 19.22 pence on continuing operations (28.64 pence in 2019).
(see note 15).

Cash flow and net debt

Conserving cash is a key measure for the Group. Covid-19 of course heightened the focus with the UK lockdown in March 2020. The business modelling includes looking at varying levels of revenues and the effect of movements on cash planning to ensure appropriate action can be taken if required.

As part of the cash planning, the Group increased the current revolving credit facility by £2m, this was completed in August 2020.

The Group board increased the meetings to a weekly call in the immediate term, moving to bi-weekly after the initial lockdown ended. The main purpose was to review cash and trading for the following months.

The Group has used the Government furlough scheme, (£1.3m), deferred VAT (£1.0m) and PAYE payments (£0.9m) to conserve cash during the lockdown period. Repayments of the VAT and PAYE are being made in line with the government 'time to pay' plan.

Shares issued in the year and additional loans to 31 March 2020 amounted to £35k. The net debt at the end of FY20 stood at £45.4m versus £35.7m in FY19, this is predominantly shareholder loans of which £12.3m is in the form of convertible loan notes.

The Group extended the revolving credit facility in the early part of FY21 to include Brighter Foods debtors and the US debtor in response to covid-19.

Net debt is a key performance indicator for the Group and is explained in note 13.

12 months to March	2020 £'000s	2019 £'000s
Revenue	**66,576**	61,560
Gross profit	**26,981**	18,027
Delivered margin	**23,542**	14,612
Delivered margin %	**35.4%**	23.7%
EBITDA (adjusted)*	**3,307**	1,901
Operating (loss) before impairment and significant items	**(590)**	(1,126)
Operating loss after impairment and significant items	**(14,530)**	(21,518)
Operating loss %	**(21.8%)**	(35.0%)
Loss before tax	**(20,147)**	(26,090)

All figures refer to continuing businesses.

*See note 5 for reconciliation

Going Concern and Post Balance Sheet Events

The Directors have considered the Group's business activities together with the factors likely to affect its planned future performance including covid-19 and Brexit and are taking appropriate action. RGF has a robust crisis management plan that is being implemented, including taking action to mitigate risks and conserve cash.

The sectors we serve have and will continue to be impacted whilst the country is in a state of lockdown, particularly the wholesale market and 'food on the go'. The Board consider the revised covid-19 budget to be reasonable and these assumptions have been projected and shared with the Group's auditors.

The forecasts agreed with the businesses have been adjusted for the covid-19 impact. The Board reviewed the sensitivity of the sales and have modelled the effects of these, whilst reviewing all the measures to have a sustainable business model post covid-19. RGF is using all options to mitigate the impact of reduced sales, including the job retention programme and has furloughed staff at both businesses.

The Directors considered the following scenarios:

Scenario 1: Reduction in revenue of 12% and

Scenario 2: Reduction in EBITDA of 35%

In both stressed scenarios the Group has sufficient liquidity headroom until August 2021, when cash becomes tighter coinciding with the stock build for Christmas and the expected PUT option payment.

The Group has various levers that it can use to mitigate the shortfall including:

Additional asset backed funding

Cessation of non-essential spend

The Group will take action as appropriate, should sales not be in line with expectations.

The banking covenants being in place are positive 3 month rolling EBITDA and positive tangible net worth are not breached on the stressed scenarios referred to above.

In June 20, the Directors approved the increase in funding with ABL Leumi, increasing the facility by £2m. This was a result of covid-19 to ensure that the Group had adequate facilities in place should the lockdown last longer than expected.

The principal shareholders of the Group have shown considerable support for the working capital requirements and as a result have extended the repayment period of the current loans from 17 May 2021 to 19 May 2022.

A further deed of amendment was entered into with the Brighter Foods minority shareholders to amend the terms of the Put option. The Board of RGF believe that the Deed is in the best interest of all stakeholders as it reduces the immediate cash outflow of the Group and aligns the interests of the Minority Shareholders (who form part of the core management team of Brighter Foods) with RGF in improving earnings and ultimately maximising the value of the business to RGF.

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.

New Standards

New standards and amendments which are effective from 1 January 2019 and have been adopted within the Group's accounting policies are:

IFRS 16 Leases (effective for periods beginning after 1 January 2019) replacing IAS 17 Leases and IFRIC 4 determining whether an arrangement contains a Lease. The Group has adopted IFRS 16 applying the modified retrospective method with no changes to the comparative accounting periods.

Amendments to IFRS 9 Prepayment Features with negative Compensation (effective 1 January 2019); and

Amendments to IAS 28: Long term interests in Associates and Joint ventures (effective 1 January 2019).

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 scheme valuation reported a gross deficit at 31 March 2020 of £7.9 million (2019: restated to £7.4 million). The Plan assets decreased by £0.1 million to £13.7 million (2019: £13.8 million) and the Plan liabilities are £20.8 million compared to £21.2 million at 31 March 2019.

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 2020 (2019: nil).

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

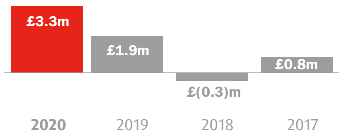
REVENUE GROWTH

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

Revenue in the year increased by 8.1% (FY19 decreased by 3.5%) This arises from the full year effect of the Brighter Foods plant and equipment investment in FY20 and additional sales in the year, less the sales decline in the Cake Decoration division. The sustainable quality of the revenue is regarded as important.

EBITDA (ADJUSTED)ON CONTINUING ACTIVITIES

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

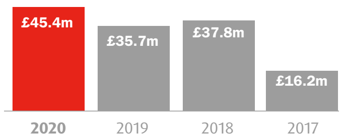


The EBITDA (adjusted) profit was £3.3 million as against a profit in the prior year of £1.9 million.

EBITDA measurement is to evidence improvement in line with the increase in revenue and/or reduced costs.

NET DEBT

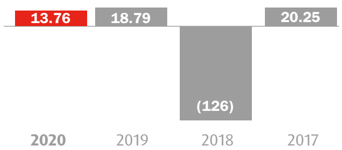
Net debt is the total Group borrowings less cash at bank.



Net debt in the year has increased to £45.4 million (FY19 £35.7m); these funds are predominantly shareholder loans.

DEBT COVER

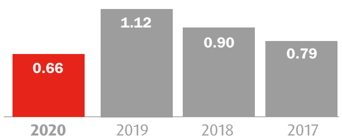
Debt cover is calculated by dividing total net debt by continuing EBITDA (adjusted).



As a result of increased EBITDA (adjusted) profits in the year net debt cover stands at 13.76. The Group measures the improvement on debt cover year on year.

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. The number of RIDDOR accidents in FY20 was 7, versus 9 in FY19. The target for RIDDOR accidents is nil. This has not been achieved, however the Group has seen a further reduction in RIDDOR accidents and will continue to support the businesses to achieve the target. the reduction in RIDDORs continues.

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. The Group continued to play our part with its stakeholders and in its 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 its communities and to build a reputation for social responsibility.
- To continue to strengthen its 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 2019/20, Renshaw raised £1,500 for our local foodbank, Micah Liverpool, 100% of the money went into their foodbank, which serves the local area and the city centre. The money was raised during the Christmas period with raffles. The business also raised funds for MacMillan supporting the coffee morning initiative. 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.

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 2019/20, Brighter Foods donated to Ysgol Craig Y Deryn, a local primary school, and a local theatre group. Brighter Foods continues to sponsor Monmouth RFC and Tywyn/Bryncrug FC.

Brighter Foods donated £3,160 to the above causes in the period.

Health and safety

Commentary 2019/20

The Board reviews the Health & Safety reports of both divisions at the monthly Board meetings. The Board, along with local management, fully support the H&S initiatives that have been taken in the business in the last year.

Employees are encouraged to report all accidents and near misses to ensure that preventative training and actions can be undertaken.

Covid-19 raised further challenges with health and safety in the factories, and it was a challenge that the whole workforce embraced and observed. The Group have fully complied with all Government legislation. A covid-19 group was formed in Cake Decorations including personnel from across the different functions.

- Brighter Foods have a full-time professional Health and Safety Manager. Reporting of health and safety issues continues to improve within the business and details of the Health and Safety performance are now reported to the Group plc board each month.
- Renshaw have a full-time Health & Safety Manager. There was a reduction in the number of accidents and incidents during the year reflecting the ongoing training taking place in the business.

2020/21 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 Foods and Renshaw's operational HSE performance.
- Continue to work and support the local communities.

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 continues to implement improvements within the Group's governance, and, with the appointment of an independent Chair of the Audit Committee, and the development of a risk management framework became an area of focus. The risk register is reviewed at least quarterly at the Group Board. 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 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, 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 Board monitors and considers corporate governance changes and makes the appropriate changes in the business.

This report was approved by the Board on 18 December 2020 and is signed on its behalf by

Mike Holt

Executive Chairman

Board of Directors

Mike Holt Executive Chairman

Appointed Non-Executive Chairman on 30 May 2019, having been Non-Executive Director since joining the Board on 7 August 2018, and Executive Chairman on 21 October 2020.

Mike has significant public company board, general management, financial management and M&A 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, and chair of the Audit Committee, at nmcn plc. In addition, Mike is a Trustee and Director of Hollybank Trust Ltd. and The Nottinghamshire Hospice Ltd.

Anthony Ridgwell Non-Executive Director

Appointed 30 May 2019

Anthony Ridgwell, 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.

Maribeth Keeling Chief Financial Officer and Company Secretary

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.

Gail Lumsden Non-Executive Director

Appointed 24 October 2019

Gail has significant experience in driving profitable growth and leading major change in both large, global corporates and SMEs. Having held senior executive roles in strategy, finance, and business development at Diageo Plc and SABMiller Plc for over 20 years, Gail now runs her own advisory business and serves as a non-executive director on the Industrial Development Advisory Board.

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.

Other Directors who Served During the Year

Paul Richardson Executive Director
Paul joined the Board on 15 October 2019, however he resigned on 6 April 2020 to pursue a full-time opportunity elsewhere.

Patrick Ridgwell Interim Non-Executive Chairman

Pat had served as the Non-Exec Chairman of RGF plc, resigning on 30 May 2019.

Christopher Thomas Non-Executive Deputy Chairman
Chris had served as the Non-Exec Deputy Chairman of RGF plc, resigning on 31 July 2019.

Steve Dawson Non-Executive Director
Resigned 31 October 2019.

Hugh C L Cawley Chief Executive Officer and Company Secretary
Resigned 2 September 2019.

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 March 2020

Corporate governance

The Board recognises and understands the importance of good corporate governance. 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.

Section 172 of the Companies Act 2016 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of our business in the communities we operate, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its stakeholders in the long term. We explain this in the report and below:

Relationships with key stakeholders such as our customers, colleagues, suppliers, investors are explained in more detail on pages 16 to 18.

The Directors are fully aware of their responsibilities to promote the success of the company in accordance with section 172 of the Companies Act 2006 and that sufficient consideration is given to issues relating to the matters set out un S172 (1) (a)-(f).

The Board regularly reviews the Company's principal stakeholders and how it engages with them. This is achieved through information provided by management and by direct engagement with stakeholders themselves.

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 is to support and guide the two remaining businesses 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. However, due to the covid situation in 2020 this was not possible. Shareholders were given the opportunity to send questions to be raised at the AGM.
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 regard our employees as our greatest asset, engaging with them on a regular basis as referred to in the directors' report. Management clearly places particular importance on its day-to-day relationships with customers, with significant effort directed to ensuring these are managed appropriately. The divisions work with many customers and suppliers and have developed a partnership way of working to continue the successful trading relationships. During the covid-19 pandemic, this became more prevalent. The business supported customers who continued to trade during the pandemic with regular communication on availability of stock. Shareholders are important to the business and continue to support the division and the strategy in place. The Group records customer service levels – OTIF (on time in full), for example and customer communication including complaints. The Group had a reduction in complaints year on year and continues to strive to reduce this as far as possible. There is a feedback system in place for service levels and issues raised can be addressed.

Principle	How Real Good Food plc complies
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.	A risk register is 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 quarterly, 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 one Executive and five 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. Gail Lumsden is the Group's independent Director. 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. At the start of the Covid pandemic, the Board met virtually on a weekly basis.
6. Ensure that between them the Directors have all the appropriate experience, skills, and capabilities.	The descriptions on page 15 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 four Non-Executive Directors, one of whom is independent and comprises three men and three women, ranging in age from their mid-40s to early 60s. 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, through the eventual attainment of financial measures, including adjusted EBITDA, operating cash flow and net debt. The Board has opted for annual reselection at the AGM. The Board, is planning to undertake a formal assessment in quarter 3 of 2021. Owing to challenges with covid-19 there has not been an opportunity to arrange this sooner.
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 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.
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.

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 23 and 25.

Section 172 Statement

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of our activities on the community, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its members in the long term. We explain in this annual report, and below, how the Board engages with stakeholders, customers, colleagues, suppliers and investors.

The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006 and that sufficient consideration is given to issues relating to the matters set out in s172(1)(a)–(f).

The Board regularly reviews the Company's principal stakeholders and how it engages with them. This is achieved through information provided by management and by direct engagement with stakeholders themselves. The key Board decisions made from 1 April 2019 to 08 December 2020 are set out below.

Significant Events/decisions	Stakeholders Affected	Considerations
Extension of shareholder loans (December 2020)	Employees Shareholders Minority shareholders	○ Legacy issues/events have caused the Group to be very highly geared which inhibits its ability to refinance investor loans with third party commercial loans. ○ The Board is aware that a simpler and less costly capital structure will only be realised by either a significant equity issue or the sale of a business unit. ○ The independent directors consulted and sought advice from the Company's lawyers to ensure that the terms of extension complied with the Whitewash process in 2018 and sought advice from our NOMAD as to whether it was fair and reasonable in so far as independent shareholders are concerned.
Covid-19 cash management (March 2020 onwards)	Employees Shareholders Communities HMRC	○ The company was unable to take advantage of CLBILs due to its leveraged position. ○ Additional asset-backed lending was secured to ease the impact of lower sales as a result of the first national lockdown. ○ In total the Group has claimed £1.3m under the Government's covid job retention scheme in order to preserve jobs and protect the communities in which our factories are situated.
Deed of Variation for shareholders of Brighter Foods (October 2020)	Shareholders	○ Changes made to align minority shareholder interests with the Company's and to preserve cash during the covid-19 pandemic.
Board interaction with businesses (September 2019 onwards)	Shareholders Employees	○ The Board changed the format of Board meetings to hold the business unit MD's more directly accountable to the Board. The MD's present their businesses at each meeting and discuss both strategic and operational matters. This has strengthened the communication between the Board and each business unit and the quality and timeliness of decision making. ○ The Board also visited the operational sites during the year, however this has been curtailed pro tem owing to covid-19 but will resume when restrictions are lifted.
Investor relations (June 2019 onwards)	Shareholders Minority shareholders Shareholders	○ Increased interaction with our shareholders with direct access to the Board; the Chairman makes himself available to minority shareholders and has maintained an ongoing dialogue with the two principal minority shareholders. ○ The quality, frequency and relevance of investor communications is improving.
Cake Decorations Restructure	Employees Shareholders Customers Communities	○ There are 15 initiatives underway to develop a business that is more profitable and sustainable. ○ Investment in New Product Development (NPD) has increased to mitigate the mature and declining sugarpaste market. ○ Sales and Marketing teams have been restructured putting the customer at the forefront of what we do by actively engaging in long term partnerships.
Board Changes (June 2019, September 2019, October 2019 and March 2020)	Minority shareholders Employees Shareholders	○ New Chairman appointed to manage potential conflicts on the Board and to accelerate the rate of progress in rebuilding shareholder value. ○ The non shareholder directors meet independently of the loan note holders to discuss any issues that would give rise to conflict. The non-independent holders are not party to these meetings or minutes thereof. ○ A new independent non-executive director appointed to support the new Chairman.
Environmental and sustainability	Customers Employees	○ Working with supply chain partners to have more recyclable packaging. ○ Continue working with suppliers to source and use ethical products, such as palm oil.

Report of the Directors (continued)

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 including Covid 19 and Brexit and are taking appropriate action. RGF has a robust crisis management plan that is being implemented, including taking action to mitigate risks and conserve cash. The sectors we serve have and will continue to be impacted whilst the country continues to experience local lockdowns, particularly the wholesale market and 'food on the go'. The Board consider the revised covid-19 budget to be reasonable and these assumptions have been projected and shared with the Group's advisors. The forecasts agreed with the businesses have been adjusted for the covid -19 impact.

The Board reviewed the sensitivity of the sales and have modelled the effects of these, whilst reviewing all the measures to have a sustainable business model post covid-19. RGF is using all options to mitigate the impact of reduced sales, including the job retention programme and has furloughed staff at both businesses. The businesses are working closely with our customers on forecasting going forward.

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, a number of changes took place to the Board. 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. Following Steve Dawson's resignation, Gail Lumsden assumed the role. 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. Maribeth Keeling was appointed as CFO in July 2019. Details of the Directors are given on page 15.

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 2020	% 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 £32.1k (2019: £20.4k) in respect of Directors' and Officers' Indemnity Insurance.

Financial instruments

The Group's financial instruments comprised bank term loans and a revolving credit facility, 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 26 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.

The employees are integral to achieving the business objectives of the Group. The Group is committed to creating an environment where all individuals feel respected and supported. RGF plc has established policies for recruitment, training and development and is committed to achieving excellence in health and safety welfare.

RGF plc is an equal opportunities employer and will continue to ensure that it offers opportunities without discrimination. Full consideration is given to applications for employment from disabled persons, having regard for their particular aptitudes and abilities and in accordance with relevant legislation. The Group continues the employment wherever possible of any person who becomes disabled during their employment, providing assistance and modifications where possible. Opportunities for training and career development do not operate to the detriment of disabled employees.

Employee engagement

The employees are integral to achieving the business objectives of the Group. The Group is committed to creating an environment where all individuals feel respected and supported. RGF plc ensure that employees are kept informed of performance and strategy through regular updates from the management teams in the businesses. The messages from the Board are taken back to the businesses through the MD's, who attend the monthly Board meetings. Within the individual businesses there are team briefings for all staff with updates on the business and how it is performing. The employees have the opportunity to raise questions, that are fed back to the Management and responded to. This allows the views of employees to be taken into account in making decisions which are likely to affect their interests. The divisional Management Teams hold regular 'Town Halls' talking with all staff in small groups and encouraging questions and feedback.

RGF plc support employee recognition for going above and beyond, the business has a Made a Difference (MAD) scheme in place, where a member of staff is recognised on a monthly basis. The scheme allows people to nominate a member of staff for the award, it can be from another team, your own team and is open to all staff.

Covid-19 has been a challenge, starting in February when shortages from Chinese suppliers were being forecast. Our priority is the safety of our staff whilst still supplying our customers with the highest quality product. RGF has a robust crisis management plan that we have been implementing including taking actions to mitigate risks. We are following all government guidelines, with most back-office staff now working from home and full risk assessments have been completed in terms of social distancing at our manufacturing sites. In light of lower demand, production planning is being reviewed in consultation with customers to rationalise the products we are making. There is a covid-19 working party, made up of employees across all areas and levels within the business, that meets on a weekly basis to review government updates and any changes required to current working practises.

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.

Stakeholder engagement

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. The Chairman holds regular meetings with minority shareholders to discuss the business and reports the discussions back to the Board.

Streamlined Energy and Carbon Reporting

SECR (Streamlined Energy and Carbon Reporting) is a new government reporting programme that came into force on 1 April 2019. The table below shows the information for RGF plc from the 1st April 2019 to 31 March 2020.

The Group collated the data using the billing data.

Scope 1 – All Direct Emissions from the activities of Real Good Food PLC or under their control. Including fuel combustion on site such as gas boilers, fleet vehicles and air conditioning leaks.

Scope 2 – Indirect Emissions from electricity purchased and used by Real Good Food PLC. Also included are the generation or consumption of heat or steam. Emissions are created during the production of the energy and eventually used by Real Good Food PLC.

Scope 3 – Transport-related activities in vehicles not owned or controlled by the reporting entity.

The assumptions made are:

Transport data conversions assume a 50/50 split for petrol and diesel for all conversions.

All conversion data was taken from the most up to date supplied data at the time of delivery of this report. The government website for Greenhouse gas reporting: conversion factors 2020 was used to calculate the data.

Information Required	Current Reporting Year UK and offshore [mandatory]
Energy consumption used to calculate emissions: kWh [mandatory]– optional to provide separate figures for gas, electricity, transport fuel and other energy sources	Gas – 6,028,432 kWh LPG – 31 kWh Petrol company cars – 79969 kWh Diesel company cars – 73106 kWh Electricity – 4,895,407 kWh Petrol private cars – 30201 kWh Diesel private cars – 27609 kWh Total - 11,134,757 kwh
Emissions from combustion of gas tCO2e (Scope 1)	1108.4 tCO_2e
Emissions from LPG (Scope 1)	7.1 tCO_2e
Emissions from business travel in company owned vehicles (Scope 1)	37.9 tCO_2e
Emissions from purchased electricity (Scope 2, location-based)	1141.3 tCO_2e
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	14.3 tCO_2e
Total gross CO_2e based on above	2309.1 tCO_2e
Intensity ratio: tCO_2e gross figure based on mandatory fields above/e.g. £100,000 revenue (taken from 5 Results)	Tonnes of output produced 0.11 tCO_2e per Tonne of output produced
Methodology	Data from Joe Castille DEFRA published Conversion Factors for Company Reporting 2020 version 1.0
Energy Efficient Actions taken (taken from 5.1 Energy Efficiency Actions)	Replacement of inefficient lighting with LED equivalent

Report of the Directors (continued)

Charitable and political donations

During the current financial period, the Group made charitable donations of £3,160 (2019: £2,697). No political donations were made during the current or previous financial period.

This report was approved by the Board on 18 December 2020 and is signed on its behalf by

Mike Holt
Executive Chairman

Director	Eligible to attend	Meetings attended
Mike Holt	11	11
Hugh Cawley	4	4
Maribeth Keeling	8	7
Christopher Thomas	4	4
Patrick Ridgwell	2	2
Jacques d'Unienville	11	9
Judith MacKenzie	11	11
Steve Dawson	6	6
Anthony Ridgwell	9	9
Gail Lumsden	5	5
Paul Richardson	5	5

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

With effect from 30 May 2019 Mike Holt stood down as Chair and member of the Committee and Judith MacKenzie was appointed; as Partner and Head of Public Equity at Downing LLP, Judith has the relevant and recent financial experience. Chris Thomas stood down from the Committee when he left the Board on 31 July 2019. Gail Lumsden was appointed to the committee on the 24 October 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. The committee assesses whether suitable accounting policies have been adopted and whether management have made appropriate estimates and judgements. 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 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 Audit Committee held 3 meetings in the year, the following table sets out attendance during the year.

Director	Meetings attended
Members	
Judith MacKenzie	2
Christopher Thomas	3
Gail Lumsden	2
By Invitation	
Mike Holt	3
Paul Richardson	1
Maribeth Keeling	3

Audit Committee Report (continued)

Description of Risk	Overview of Risk	Company response
Asset Impairment	The Group now has £37.8 million of goodwill, relating to excess of consideration paid to the fair value of acquisitions, and £16.2 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. The impact of covid-19 in FY21 has been factored into the calculation. A sensitivity analysis was also applied to stress test the assumptions and future economic value of assets. These resulted in the impairment of £12.6m of goodwill carried forward from previous years, and £0.3m 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 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.
Risk Register	The Group is encouraged to identify business risks. The CFO presents the Risk Register to the Board on a quarterly basis.	Significant business risks are identified and recorded on the Risk Register that is presented to the Group Board quarterly, or sooner if appropriate. As part of the covid-19 pandemic, the Board has weekly update calls to monitor the impact on the business.
Senior Managers	The MD's are invited to each Board meeting to present on their division.	The Board have the opportunity to talk directly with the MD's of the division on a monthly basis and understand the business behind the numbers. The Board also visited the Liverpool and Tywyn sites in FY20 where they were able to meet the Leadership teams for the businesses and hold a meeting with them.
Auditors	Audit Rotation	The Committee is responsible for recommending to the Board the appointment, reappointment, and removal of external auditors. The Committee has discussions on audit planning, plans, fees and audit findings and controls. The Committee assessed the effectiveness of the external audit through the review of audit plans, reports, and conclusions. Also, through discussions with management (with and without the auditor present) and with the auditors (with and without management present). The Commitment and Authorities schedule within the business is reviewed annually by the Group Board.
Stock count at Brighter Foods	Due to restrictions in relation to covid-19, the external auditors were unable to attend the annual stock take undertaken at Brighter Foods on 28 March 2020. The stock value at 31 March 2020 was £2.6m	Due to restrictions in relation to covid-19 the external auditors were unable to attend the stock count at Brighter Foods. The stock count was completed at Tywyn and the details sent to the auditors. The Company's stock take identified a physical to book difference of only £1.4k which is comparable to previous stock counts. The stock at the third party warehouse In Wrexham was not counted due to access restrictions to the site owing to covid-19. Brighter checked the booked stock against the third party report and there were some minor discrepancies found. There will be a stock take undertaken once covid-19 restrictions are lifted.
Disclosure of Related Party Transactions	To ensure that related party transactions are transparent and approved	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

The Remuneration Committee initially comprised Steve Dawson, as Chair, Judith MacKenzie, Jacques d'Unienville and Mike Holt. Following Steve's resignation on 23 October 2019, Gail Lumsden was appointed Chair, with the committee's composition being Gail Lumsden, Judith MacKenzie, and Mike Holt. Following Mike's appointment as Executive Chairman he has stepped down from the Remuneration Committee and Anthony Ridgwell has been appointed.

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 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 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 management with all shareholders and 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

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.

Current Directors' base salaries and fees are disclosed in note 11.

There were two meetings held in the year, the table below shows the attendance:

Director	Meetings attended
Members	
Gail Lumsden	1
Anthony Ridgwell	1
Judith Mackenzie	2
By Invitation	
Mike Holt	1
Jacques d'Unienville	1
Steve Dawson	1

Independent Auditor’s Report

to the members of Real Good Food plc

Qualified 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 2020 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, except for the possible effects of the matter described in the basis for qualified opinion section of our report:

- 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 2020 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 qualified opinion

We were not able to observe the counting of physical inventories at the end of the year for inventories held by Brighter Foods Limited, a subsidiary and significant component of Real Good Food plc, due to restrictions in the attendance of external visitors at company and third party premises, specifically as a result of Covid-19. We were, unable to satisfy ourselves by alternative means concerning the inventory quantities held by that component at 31 March 2020, which are included in the consolidated statement of financial position at £2,574,000. We were therefore unable to determine whether any adjustment to this amount was necessary, or what the impact of any such adjustment would be on the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position or consolidated cash flow statement.

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 qualified 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. In addition to the matter described in the Basis for qualified opinion section we have determined the matters described below to be the key audit matters to be communicated in our report.

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 £7.9m (2019: £7.4m) as shown in Note 32. This is also considered in Note 2 (significant accounting policies) and Note 3 (critical accounting 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.

Key Audit Matter	How We Addressed the Key Audit Matter in the Audit
Going Concern The group incurred a net loss of £16.1m during the year ended 31 March 2020 with a negative operating cash flow of £0.3m. The group had cash of £1.4m and borrowings of £45.8m as at the year end, of which £12.3m was due for repayment in May 2021 or earlier. Furthermore, as described by the directors in note 2, the impact of Covid-19 on the business saw certain areas of decreased trade in the national lockdown period post year end. Trading has improved in recent months, however there still remains a risk given the economic uncertainty in the UK and the potential for further stricter lockdown measures. The above factors necessitated detailed consideration by management of the going concern position of the parent company and the group. 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 2022, which is also used as a basis for the discounted cash flow model in the impairment assessment of goodwill and other non-current assets. Management also performed sensitised stressed forecasts, including a reverse stress test to identify the point at which available cash facilities would run out or covenants would be breached. We examined these cash flow forecasts as well as considered the downside sensitivities to these. We challenged management's assumptions used in the forecast period by considering available evidence, including recent performance post the impact of Covid-19, as well as past trading performance, to support these assumptions. We evaluated the forecast compliance with covenants over the period to March 2022, including sensitivities applied on these. We also reviewed the renegotiated financing arrangements in relation to borrowings from shareholder loans and convertible loan notes, of which the amounts previously due in May 2021 have now been extended to May 2022. **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 (£8.6m in relation to Cake Decoration). This is also considered in Note 2 (significant accounting policies) and Note 3 (critical accounting 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 2020/21 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 considered management's judgements in relation to the impairment of assets to be appropriate.

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

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	£486,000 (2019: £428,000)
Basis for materiality	0.75% of Revenue (2019: 0.6% of Revenue from continuing operations)
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 £315,000 (2019: £257,000), representing 65% of materiality (2019: 60%). The performance materiality threshold 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 £57,700 to £375,000 (2019: £51,000 to £278,000). Parent company materiality was £57,700 (2019: £107,000).

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 £19,000 (2019: £13,000). 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 three (2019: four) 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 three 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	Specific procedures on nonsignificant components	Total coverage
Revenue	78%	6%	84%
Net assets	94%	n/a	94%

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.

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the inventory quantities of £2,574,000 held at 31 March 2020. We have concluded that where the other information refers to the inventory balance or related balances such as cost of sales, it may be materially misstated for the same reason.

Opinions on other matters prescribed by the Companies Act 2006

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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

Except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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.

Arising solely from the limitation on the scope of our work relating to inventory, referred to above:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit; and
- we were unable to determine whether adequate accounting records have been kept by the Parent Company

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:

- 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.

Responsibilities of directors

As explained more fully in the Directors' responsibilities statement set out in the Report of the Directors, 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: 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, United Kingdom
18 December 2020

Consolidated Statement of Comprehensive Income

Year ended 31 March 2020

	Notes	12 months ended 31 March 2020 £'000s	12 months ended 31 March 2019 £'000s
Revenue	4, 5	**66,576**	61,560
Cost of sales		**(39,595)**	(43,533)
Gross profit		**26,981**	18,027
Distribution expenses		**(3,439)**	(3,415)
Administrative expenses		**(24,132)**	(15,738)
Operating (loss) before impairment and significant items		**(590)**	(1,126)
Impairment charge on goodwill	16	**(12,622)**	(18,675)
Impairment charge on tangible fixed assets	18	**(287)**	–
Significant items	6	**(1,031)**	(1,717)
Operating loss after impairment and significant costs	8	**(14,530)**	(21,518)
Finance costs	9	**(5,448)**	(4,406)
Other finance costs	10	**(169)**	(166)
Loss before tax		**(20,147)**	(26,090)
Income tax credit	14	**1,692**	349
Loss from continuing operations		**(18,455)**	(25,741)
Loss from discontinued operations		**–**	(6,243)
Net loss		**(18,455)**	(31,984)
Attributable to:			
Owners of the parent		**(19,121)**	(32,321)
Non-controlling interests		**666**	337
Net loss		**(18,455)**	(31,984)
Items that will or may be reclassified to profit or loss			
Foreign exchange differences on translation of subsidiaries		**(106)**	(32)
Items that will not be reclassified to profit or loss			
Actuarial (losses)/gains on defined benefit plan	32	**(1,097)**	441
Tax relating to items which will not be reclassified	20	**215**	(75)
Other comprehensive (loss)/gain		**(988)**	334
Total comprehensive (loss) for the year		**(19,443)**	(31,650)
Attributable to:			
Owners of the parent		**(20,109)**	(31,987)
Non-controlling interests		**666**	337
Total comprehensive (loss) for the year		**(19,443)**	(31,650)

	Notes	12 months ended 31 March 2020 £'000s	12 months ended 31 March 2019 £'000s
Basic and diluted loss per share – continuing operations	15	**(19.22)p**	(28.64)p
Basic and diluted loss per share – discontinued operations	15	**nil**	(6.85)p

The notes on pages 37 to 75 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 March 2020

	Issued Share Capital £'000s	Share Premium Account £'000s	Other Reserves £'000s	Share Option Reserves £'000s	Foreign Exchange Translation Reserve £'000s	Retained Earnings £'000s	Total £'000s	Non–Controlling Interest £'000s	Total Equity £'000s
Total comprehensive (loss)/ gain for the year	1,569	2,720	(4,796)	310	13	55,741	55,557	1,803	57,360
Loss for the year	–	–	–	–	–	(32,321)	(32,321)	337	(31,984)
Other comprehensive (loss)/ gain for the year	–	–	–	–	(32)	366	334	–	334
Total comprehensive (loss)/ gain 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 27)	418	566	–	–	–	–	984	–	984
Share based payments (note 29)	–	–	–	(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
Total comprehensive (loss)/ gain for the year									
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(19,121)**	**(19,121)**	**666**	**(18,455)**
Other comprehensive (loss)/ gain for the year	**–**	**–**	**–**	**–**	**(106)**	**(882)**	**(988)**	**–**	**(988)**
Total comprehensive (loss)/ gain for the year	**–**	**–**	**–**	**–**	**(106)**	**(20,003)**	**(20,109)**	**666**	**(19,443)**
Transactions with owners of the Group, recognised directly in equity									
Shares issued in the year (note 27)	**4**	**8**	**–**	**–**	**–**	**–**	**12**	**–**	**12**
Share based payments (note 29)	**–**	**–**	**–**	**(35)**	**–**	**–**	**(35)**	**–**	**(35)**
Deferred tax on share-based payments	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total contributions by and distributions to owners of the Group	**4**	**8**	**–**	**(35)**	**–**	**–**	**(23)**	**–**	**(23)**
Balance as at 31 March 2020	**1,991**	**3,294**	**(4,796)**	**203**	**(125)**	**3,783**	**4,350**	**2,806**	**7,156**

The notes on pages 37 to 75 form part of these financial statements.

Company Statement of Changes in Equity

Year ended 31 March 2020

	Issued Share Capital £'000s	Share Premium Account £'000s	Share Option Reserve £'000s	Retained Earnings £'000s	Total Equity £'000s
Total comprehensive income for the year	1,569	2,720	310	24,532	29,131
Loss for the year	–	–	–	(21,983)	(21,983)
Other comprehensive (loss)/gain 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
Total comprehensive income for the year					
(Loss) for the year	**–**	**–**	**–**	**(9,819)**	**(9,819)**
Other comprehensive (loss) for the year	**–**	**–**	**–**	**(883)**	**(883)**
Total comprehensive income for the year	**–**	**–**	**–**	**(10,702)**	**(10,702)**
Transactions with owners of the Group, recognised directly in equity					
Shares issued in the year	**4**	**8**	**–**	**–**	**12**
Share based payments	**–**	**–**	**(35)**	**–**	**(35)**
Deferred tax on share-based payments	**–**	**–**	**–**	**–**	**–**
Total contributions by and distributions to owners of the Group	**4**	**8**	**(35)**	**–**	**(23)**
Balance as at 31 March 2020	**1,991**	**3,294**	**203**	**(7,712)**	**(2,224)**

The notes on pages 37 to 75 form part of these financial statements.

Consolidated Statement of Financial Position

Year ended 31 March 2020

	Notes	31 March 2020 £'000s	31 March 2019 £'000s
NON-CURRENT ASSETS			
Goodwill	**16**	**37,753**	50,375
Other intangible assets	**17**	**61**	1,599
Tangible fixed assets	**18**	**16,199**	16,578
Investments	**19**	**81**	81
Deferred tax asset	**20**	**1,508**	1,259
		55,602	69,892
CURRENT ASSETS			
Inventories	**21**	**6,823**	6,840
Trade and other receivables	**22**	**10,232**	8,614
Current tax assets		**182**	52
Cash collateral	**13**	**215**	2,000
Cash and cash equivalents		**1,363**	2,909
		18,815	20,415
Assets classed as held for sale	**33**	**1,148**	148
TOTAL ASSETS		**75,565**	90,455
CURRENT LIABILITIES			
Trade and other payables	**25**	**9,097**	10,629
Borrowings	**23**	**2,717**	668
Lease liabilities	**24**	**390**	–
NCI put option	**26**	**2,900**	–
		15,104	11,297
NON-CURRENT LIABILITIES			
Borrowings	**23**	**43,059**	37,961
Lease liabilities	**24**	**567**	–
Long-term liabilities – NCI put option	**26**	**1,520**	4,997
Derivative liability – Convertible loan notes	**26**	**–**	294
Deferred tax liabilities	**20**	**223**	1,881
Retirement benefit obligation	**32**	**7,936**	7,403
		53,305	52,536
TOTAL LIABILITIES		**68,409**	63,833
NET ASSETS		**7,156**	26,622
EQUITY			
Share capital	**27**	**1,991**	1,987
Share premium account		**3,294**	3,286
Other reserve		**(4,796)**	(4,796)
Share option reserve		**203**	238
Foreign exchange translation reserve		**(125)**	(19)
Retained earnings		**3,783**	23,786
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**4,350**	24,482
Non-controlling Interest		**2,806**	2,140
TOTAL EQUITY		**7,156**	26,622

These financial statements were approved by the Board of Directors and authorised for issue on 18 December 2020.

They were signed on its behalf by:

Mike Holt
Executive Chairman

Maribeth Keeling
Chief Financial Officer

The notes on pages 37 to 75 form part of these financial statements.

Company Statement of Financial Position

Year ended 31 March 2020

Registered Company Number: 04666282

	Notes	31 March 2020 £'000s	31 March 2019 £'000s
NON-CURRENT ASSETS			
Investments	**19**	**54,670**	54,670
Other intangible assets	**17**	**18**	150
Property, plant, and equipment	**18**	**143**	1,617
Deferred tax asset	**20**	**1,508**	1,259
		56,339	57,696
CURRENT ASSETS			
Trade and other receivables	**22**	**71,125**	70,441
Current tax assets		**(4)**	27
Cash collateral	**13**	**215**	2,000
Cash and cash equivalents		**8**	1,140
		71,344	73,608
Assets classed as held for sale	**33**	**1,000**	–
TOTAL ASSETS		**128,683**	131,304
CURRENT LIABILITIES			
Trade and other payables	**25**	**82,294**	78,391
		82,294	78,391
NON-CURRENT LIABILITIES			
Borrowings	**23**	**40,677**	36,715
Derivative liability – Convertible loan notes	**26**	**–**	294
Retirement benefit obligation	**32**	**7,936**	7,403
		48,613	44,412
TOTAL LIABILITIES		**130,907**	122,803
NET (LIABILITIES)/ASSETS		**(2,224)**	8,501
EQUITY			
Share capital	**27**	**1,991**	1,987
Share premium account		**3,294**	3,286
Share option reserve		**203**	238
Retained earnings		**(7,712)**	2,990
TOTAL EQUITY		**(2,224)**	8,501

Real Good Food plc (the Company) reported a total comprehensive loss for the year ended 31 March 2020 of £10,829k (2019: £21,542k). The Directors have taken advantage of the exemption available under Section 408 of the Companies Act and have not presented a statement of comprehensive income for the Company.

These financial statements were approved by the Board of Directors and authorised for issue on 18 December 2020.

They were signed on its behalf by:

Mike Holt
Executive Chairman

Maribeth Keeling
Chief Financial Officer

The notes on pages 37 to 75 form part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 March 2020

	Notes	31 March 2020 £'000s	31 March 2019 £'000s
CASH FLOW FROM OPERATING ACTIVITIES			
Adjusted for:			
(Loss) before taxation		**(20,147)**	(32,333)
Finance and other finance costs	**9, 10**	**5,617**	4,572
FX movement		**(115)**	(98)
Goodwill Impairment charge	**16**	**12,622**	18,675
Impairment charge on fixed assets	**33**	**287**	–
Share based payment expense		**(35)**	(38)
Loss on discontinued business		**–**	5,202
Loss on disposal of intangible assets		**–**	123
Loss on disposal of property, plant, and equipment		**–**	135
Past service cost on pension	**32**	**16**	106
Fair value of derivative liability		**(294)**	294
Fair value of NCI put option		**(577)**	201
Depreciation of property, plant, and equipment	**18**	**2,375**	2,656
Amortisation of intangibles	**17**	**1,538**	1,464
Operating Cash Flow		**1,287**	959
Decrease in inventories		**17**	186
(Increase)/decrease in receivables		**(2,327)**	613
Pension contributions	**32**	**(733)**	(347)
Decrease in cash collateral		**1,785**	–
Increase/(decrease) in payables		**1,279**	(3,511)
Cash From/(used in) operations		**1,308**	(2,100)
Income taxes received/(paid)		**52**	(68)
Interest paid		**(189)**	(493)
Interest on finance leases		**(27)**	–
Net cash inflow/(outflow) from operating activities		**1,144**	(2,661)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of intangible assets	**17**	**–**	(10)
Purchase of property, plant, and equipment	**18**	**(1,819)**	(4,474)
Disposal of discontinued business, net of cash disposed of		**550**	16,669
Payment of deferred consideration		**–**	(4,520)
Net cash (outflow)/inflow from investing activities		**(1,269)**	7,665
CASH FLOW USED IN FINANCING ACTIVITIES			
Shares issued in year	**27**	**4**	984
Repayment of borrowings	**23**	**(504)**	(1,750)
Inflow of term loans	**23**	**3,420**	–
Repayment of other loans	**23**	**(1,636)**	–
(Repayment)/inflow of investor loans	**23**	**(4,519)**	856
Inflow of funds from convertible loan notes	**23**	**–**	8,545
Drawdowns on revolving credit facilities		**28,261**	57,266
Repayments on revolving credit facilities		**(26,409)**	(65,935)
Capital repayments on finance leases		**–**	(4,783)
Net cash (outflow) from financing activities		**(1,383)**	(4,817)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,508)**	187
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		**2,909**	2,731
Effects of currency translations on cash and cash equivalents		**(38)**	(10)
Net movement in cash and cash equivalents		**(1,508)**	188
Cash and cash equivalents at end of period		**1,363**	2,909

Company Cash Flow Statement

Year ended 31 March 2020

	Notes	31 March 2020 £'000s	31 March 2019 £'000s
CASH FLOW FROM OPERATING ACTIVITIES			
Adjusted for:			
(Loss) before taxation		**(9,819)**	(22,127)
Finance and other finance costs	**9**	**5,448**	4,236
Impairment charge investments	**19**	**–**	905
Impairment charge fixed asset	**33**	**287**	–
Share based payment expense		**(35)**	(38)
Loss on disposal of property, plant, and equipment		**–**	2
Past service cost on pension	**32**	**16**	106
Fair value of derivative liability		**(294)**	294
Depreciation of property, plant, and equipment	**18**	**187**	313
Amortisation of intangibles	**17**	**132**	67
Operating Cash Flow		**(4,078)**	(16,242)
(Increase)/(decrease) in receivables		**(910)**	6,503
Pension contributions	**32**	**(733)**	(347)
Increase/(decrease) in payables		**7,318**	2,268
Decrease in cash collateral		**1,786**	-
Cash from/(used in) operations		**3,383**	(7,818)
Income taxes received		**–**	–
Interest paid		**–**	(154)
Net cash inflow/(outflow) from operating activities		**3,383**	(7,972)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of intangible assets	**17**	**–**	–
Purchase of property, plant, and equipment	**18**	**–**	–
Net cash (outflow) from investing activities		**–**	–
CASH FLOW USED IN FINANCING ACTIVITIES			
Shares issued in year	**27**	**4**	984
(Repayment)/inflow of investor loans	**23**	**(4,519)**	856
Inflow of funds from convertible loan notes	**23**	**–**	8,545
Repayment of borrowings	**23**	**–**	(1,750)
Net cash (outflow)/inflow from financing activities		**(4,515)**	8,635
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(1,132)**	663
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		**1,140**	477
Net movement in cash and cash equivalents		**(1,132)**	663
Cash and cash equivalents at end of period		**8**	1,140

The notes on pages 37 to 75 form part of these financial statements.

Notes to the Financial Statements

Year ended 31 March 2020

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 2020, the Group did not dispose of any major lines or businesses. At 31 March 2020, some remaining assets in relation to the disposed businesses are classed as held for sale. For further details please refer to note 33.

IFRS standards and interpretations adopted

New standards and amendments which are effective from 1 January 2019, and have been adopted within the Group's accounting policies are:

- IFRS 16 Leases (effective for periods beginning after 1 January 2019) replacing IFRS 17 Leases and IFRIC 4 determining whether an arrangement contains a Lease.
- Amendments to IFRS 9 Prepayment Features with Negative Compensation (effective 1 January 2019); and
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures (effective 1 January 2019).

The Group has adopted IFRS 16 applying the modified retrospective method with no changes to the comparative accounting periods. There was no impact on opening reserves.

The Group has applied the following transitional provisions for leases which were previously classified as operating leases:

- Lease liabilities have been measured at the present value of the remaining lease payments on transition, discounted at a weighted average incremental borrowing rate of 4.41%; and
- Right of use assets have been measured at an amount equal to the lease liability at the transition date.
- Because the adoption of IFRS16 leases has increased EBITDA, it has had the effect of reducing the loss per share by 0.52p and the diluted loss per share by 0.17p.

The Group has applied the following recognition exemptions and practical expedients:

- Contracts have not been reassessed in relation to whether they are or contain a lease at the date of initial application;
- Initial direct costs have been excluded from the measurement of the right of use asset at the date of initial application;
- Leases which are short term or low value have not been accounted for according to IFRS 16, and instead lease payments have been expensed on a straight-line basis over the lease term;
- Leases for which the lease term ends within 12 months of initial application have not been accounted for according to IFRS 16, and instead lease payments have been expensed on a straight-line basis over the lease term;
- Single discount rates are used for portfolios of leases with reasonably similar characteristics; and
- Hindsight has been used in the determination of the lease term where options to extend or terminate the lease exist.

Further detail in relation to the leases accounting policy under IFRS 16 has been included in note 2.

The adoption of the amendments to IFRS 9 and IAS 28 have not had an impact on the financial statements of the Group.

The Group does not expect any 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, on a going concern basis.

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.

Going Concern

The Directors have considered the Group's business activities together with the factors likely to affect its planned future performance including covid-19 and Brexit and are taking appropriate action.

RGF has a robust crisis management plan that is being implemented, including taking action to mitigate risks and conserve cash.

The sectors we serve have and will continue to be impacted whilst the country is in a state of lockdown, particularly the wholesale market and 'food on the go'. The Board consider the revised covid-19 budget to be reasonable and these assumptions have been projected and shared with the Group's auditors. The budget has considered various scenarios including a significant reduction in sales with a delay in reducing stockholding.

The banking covenants are not breached in the 12 month forecasts prepared (for further details see Note 3).

2. Significant accounting policies (continued)

The new forecast agreed with the businesses has been adjusted for the covid-19 impact. The Board have reviewed various sensitivity scenarios, using the forecasted sales and have modelled the effects of these, whilst reviewing all the measures to have a sustainable business model post covid-19. The scenarios are shown below:

Scenario 1: Reduction in revenue of 12% and

Scenario 2: Reduction in EBITDA of 35%

In both stressed scenarios the Group has sufficient liquidity headroom until August 2021, when cash becomes tighter coinciding with the stock build for Christmas and the expected NCI Put option payment (note 23).

The group has various levers that it can use to mitigate the shortfall including:

Additional asset backed funding

Cessation of non-essential spend

RGF is using all options to mitigate the impact of reduced sales, including the job retention programme and has furloughed staff at both businesses. The businesses are working closely with our customers on forecasting going forward. The principal shareholders of the Group have shown considerable support for the Group and have entered into a Deed of Amendment to defer the repayment of the loans from May 2021 to May 2022, with a reduced interest charge. The banking covenants are not breached under the stressed scenarios above.

The Board have reviewed 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.

Also detailed in note 23 to the financial statements, the Group has a long-term banking arrangement with ABL Leumi 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.

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 dispatched. Sales are recorded net of discounts, Value Added Tax (VAT) and other sales-related taxes. Goods are deemed to be dispatched when the distribution company has collected the goods from the warehouse and is delivering them to the customer.
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 include 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 32 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.

2. Significant accounting policies (continued)

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:

Right of use assets	Length of lease
Land and buildings	
Freehold buildings	40 to 50 years
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.

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

The Group leases manufacturing facilities, company cars and other plant and machinery.

Upon inception of a contract, an assessment is performed to determine whether the contract is or contains a lease. A right of use asset and a corresponding lease liability is recognised on the statement of financial position for all lease arrangements where the Group is a lessee, except for those which are short-term or low value. Short-term and low value leases are accounted for by recognising the lease payment within administrative expenses on a straight-line basis over the lease term.

The lease liability is initially measured at the present value of the future lease payments at the commencement date, discounted using the rate implicit in the lease if this is readily determined, or otherwise using the incremental borrowing rate. The incremental borrowing rate is the rate of interest that the Group would have to pay to borrow, over a similar term and with similar security, the funds necessary to obtain an asset of a similar value to the right of use asset in a similar economic environment.

The lease payments included in the measurement of the lease liability comprise lease payments in addition to any other payments reasonably certain to be made such as termination penalties upon early termination of the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease using the effective interest rate method and reducing the carrying amount to reflect the lease payments made.

The lease liability is remeasured if:

- The lease term has changed, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate, in which case the lease liability is remeasured using the initial discount rate; or
- The lease contract is modified, and the modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

The right of use asset is measured at an amount equal to the corresponding lease liability and is subsequently measured at cost less accumulated depreciation and impairment losses. Right of use assets are depreciated over the lease term. Right of use assets are included in the Property, Plant & Equipment.

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 are 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.

Notes to the Financial Statements (continued)
Year ended 31 March 2020

2. Significant accounting policies (continued)

n) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. 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 occurrence of bad debt has been rare in the business.

o) Trade payables

Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate 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 a revolving credit facility of £5.45 million with Leumi ABL Limited secured on the trade debtors on a 60-month term. This facility is secured against the debtors of JF Renshaw Ltd and Rainbow Dust Colours Ltd, with an interest rate of 2.25% above London Inter Bank Offer Rate (LIBOR). Trade debtors remain assets of the Group and are shown at the total amount collectable. Liabilities under this arrangement are shown in borrowings.

The Group has shareholder loans including convertible loan notes previously repayable on or before 19 May 2021 on which the repayment date has been agreed to move to 19 May 2022. They can be converted at any time into shares at the holder's option. The majority of interest on the shareholder loans is deferred. 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.

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) 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.

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 4%. 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 32.

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.

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 Directors considered the following scenarios:

Scenario 1: Reduction in revenue of 12% and

Scenario 2: Reduction in EBITDA of 35%

In both stressed scenarios the Group has sufficient liquidity headroom until August 2021, when cash becomes tighter coinciding with the stock build for Christmas and the expected NCI Put option payment, (note 23).

The Group has various levers that it can use to mitigate the shortfall including:

Additional asset backed funding

Cessation of non-essential spend

The Group will take action as appropriate, should sales not be in line with expectations.

The principal shareholders of the Group continue to show 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.
As part of the going concern going concern and cash planning, in June 20, the Directors approved an increase in the revolving credit facility with ABL Leumi, increasing the facility by £2m. This was a result of covid-19 to ensure that the Group had adequate facilities in place should the lockdown last longer than expected.

The banking covenants in place are positive 3 month rolling EBITDA and positive tangible net worth and are not breached on the stressed scenarios referred to above. The maximum draw down value during FY20 of the facility was in September, this was £2.0m and was to fund the stock build for the Christmas sales.

Long term funding

The Board has reviewed the forecasts for FY22, and although the group has agreed with the Investors to continue to roll up interest on the loans to conserve cash, this will continue to be reviewed as trading returns to pre covid-19 conditions. The Board would expect to make Investor loan repayments on a divestment of a business.

Notes to the Financial Statements (continued)

Year ended 31 March 2020

4. Revenue

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

Cake Decoration £41.2 million (2019 £46.4m)	Manufactures, sells, and supplies cake decorating products and ingredients for the baking sector.
Food Ingredients £25.3 million (2019 £15.2m)	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 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 2020	Cake Decoration £'000s	Food Ingredients £'000s	Head Office and non-trading subsidiaries £'000s	Continuing Operations £'000s	Discontinued Operations £'000s	Total Group £'000s
Total revenue	**48,621**	**25,333**	**–**	**73,954**	**–**	**73,954**
Intercompany sales	(7,378)	–	–	(7,378)	–	(7,378)
External revenue	**41,243**	**25,333**	**–**	**66,576**	**–**	**66,576**
Cost of sales	(23,615)	(15,980)	–	(39,595)	–	(39,595)
Gross profit	**17,628**	**9,353**	**–**	**26,981**	**–**	**26,981**
Distribution expenses	(2,995)	(444)	–	(3,439)	–	(3,439)
Administrative expenses	(14,353)	(5,974)	(3,805)	(24,132)	–	(24,132)
Operating profit/(loss) before impairment and significant items	**280**	**2,935**	**(3,805)**	**(590)**	**–**	**(590)**
Significant items	(1,081)	(9)	59	(1,031)	–	(1,031)
Impairment charge	(12,622)	–	(287)	(12,909)	–	(12,909)
Operating (loss)/profit after impairment and significant items	**(13,423)**	**2,926**	**(4,033)**	**(14,530)**	**–**	**(14,530)**
Finance costs	(198)	(3)	(5,247)	(5,448	—	(5,448)
Other finance costs	–	–	(169)	(169)	–	(169)
(Loss)/profit before tax	**(13,621)**	**2,923**	**(9,449)**	**(20,147)**	**–**	**(20,147)**
Income tax credit/(expense)	–	–	1,692	1,692	–	1,692
(Loss)/profit after tax as per comprehensive statement of income	**(13,621)**	**2,923**	**(7,757)**	**(18,455)**	**–**	**(18,455)**

5. Segment reporting (continued)

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)**	**(6,316)**	**(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 credit/(expense)	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:

12 months ended 31 March 2019	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%.

12 months ended 31 March 2020	Cake Decoration £'000s	Food Ingredients £'000s
UK	28,266	22,319
Europe	4,631	3,014
USA	7,293	–
Rest of World	1,053	–
Total	**41,243**	**25,333**

5. Segment reporting (continued)

The Group has two customers which constitute over 10% of revenue: one providing 21% of revenue, and the other 10%.

Reconciliation of operating (loss)/profit to underlying adjusted EBITDA to 31 March 2020	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	**(13,423)**	**2,926**	**(4,033)**	**(14,530)**	**–**	**(14,530)**
Significant items	1,081	9	(59)	**1,031**	**–**	**1,031**
Impairment charge	12,622	–	287	**12,909**	–	**12,909**
Loss on disposal	–	–	–	**–**	**–**	**–**
Depreciation	1,521	667	187	**2,375**	**–**	**2,375**
Amortisation	34	1,379	125	**1,538**	**–**	**1,538**
Underlying adjusted EBITDA	**1,835**	**4,981**	**(3,493)**	**3,323**	**–**	**3,323**

Reconciliation of operating (loss)/profit to underlying adjusted EBITDA to 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
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 2020	Cake Decoration £'000s	Food Ingredients £'000s	Head Office and non-trading subsidiaries £'000s	Continuing Operations £'000s	Discontinued Operations £'000s	Total Group £'000s
Segment assets	**57,032**	**20,103**	**(1,570)**	**75,565**	**–**	**75,565**
Segment liabilities	**13,835**	**3,123**	**51,451**	**68,409**	**–**	**68,409**
Net operating assets	**43,197**	**16,980**	**(53,021)**	**7,156**	**–**	**7,156**
Non–current asset additions	**330**	**1,489**	**–**	**1,819**	**–**	**1,819**
Depreciation	**(1,521)**	**(667)**	**(187)**	**(2,375)**	**–**	**(2,375)**
Amortisation	**(34)**	**(1,379)**	**(125)**	**(1,538)**	**–**	**(1,538)**

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 2020, Head Office costs of £1.1 million (2019 £1.4m) have been re-allocated to the Cake Decoration division.

6. Significant items

	12 months ended 31 March 2020 £'000s	12 months ended 31 March 2019 £'000s
Abnormal costs relating to ongoing capital projects	–	(38)
Investigation work and penalties	–	(315)
Professional fees in relation to refinancing costs	–	(380)
Change in value of convertible loan notes derivative liability	**294**	–
Asset write-offs	–	(330)
Commercial disputes	–	(118)
Management restructuring[1]	**(1,325)**	(582)
Significant items	**(1,031)**	(1,763)
Continuing business	**(1,031)**	(1,717)
Discontinued business	–	(46)
Total significant items	**(1,031)**	(1,763)

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 2020 has seen a lower level of significant items that the previous year. They are explained in the note below

1 The fair value of the CLNs was reduced in FY20 from the FY19 estimate. This was shown as a significant item in the acounts

2 Restructure costs relating to the Cake Decorations business and Head Office infrastructure.

The year to 31 March 2019 had the following significant costs

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.

2 Investigation work and penalties relating to corporate governance failings. There were well-publicised failings in the area of corporate governance. The costs incurred related to external agencies sufficiently experienced and qualified to ensure all failings investigated and identified and remedial actions highlighted.

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 relate to inventory and intangible asset write-offs in relation to an abandoned product launch.

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. 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.

7. Auditor's remuneration

	12 months ended 31 March 2020 £'000s	12 months ended 31 March 2019 £'000s
Fees payable to the Company's auditor for the audit of the Group's annual accounts	**(208)**	(215)
Fees payable to the Company's auditor for other services:		
Audit related assurance services	**–**	(31)
Tax compliance services	**(25)**	(45)
Tax advisory services	**–**	(23)
Other assurance services	**(10)**	(21)
Total fees paid to auditor	**(243)**	(335)

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 2020 £'000s	12 months ended 31 March 2019 £'000s
Annual Accounts audit fee apportioned by division		
Real Good Food plc	**(107)**	(107)
Brighter Foods Ltd	**(20)**	(20)
Real Good Food Ingredients Ltd	**(8)**	(8)
J F Renshaw Ltd	**(60)**	(60)
Rainbow Dust Colours Ltd	**(20)**	(20)
	(215)	(215)

8. Operating profit

Operating profit for continuing operations

	Notes	12 months ended 31 March 2020 £'000s	12 months ended 31 March 2019 £'000s
External Sales		**66,576**	61,560
Staff Costs	**12**	**(19,208)**	(20,622)
Inventories:			
– cost of inventories as an expense (included in cost of sales)		**(29,265)**	(25,917)
Depreciation of property, plant, and equipment	**5**	**(2,375)**	(1,573)
Amortisation of intangible assets	**5**	**(1,538)**	(1,454)
Significant items	**6**	**(1,031)**	(1,717)
Impairment charges	**16/18**	**(12,909)**	(18,675)
Operating lease payment:			
– land and buildings		**–**	(486)
– other assets		**–**	(57)
Research and development expenditure		**(1,516)**	(803)
Impairment of trade receivables	**22**	**(84)**	(100)
Foreign exchange gains/(losses)		**138**	(327)
Other net operating expenses		**(13,318)**	(11,347)
Total		**(81,106)**	(83,078)
Operating loss		**(14,530)**	(21,518)

9. Finance costs

	12 months ended 31 March 2020 £'000s	12 months ended 31 March 2019 £'000s
Interest on bank loans, overdrafts, and investor loans	**(5,466)**	(4,164)
Interest on obligations under finance leases	**–**	(154)
Interest on lease liabilities	**(12)**	–
Interest on non-controlling interest put option	**46**	(89)
Past service cost on pension (note 32)	**(16)**	(106)
	(5,448)	(4,513)
Continuing business	**(5,448)**	(4,406)
Discontinued business	**–**	(107)

Notes to the Financial Statements (continued)

Year ended 31 March 2020

10. Other finance costs

	12 months ended 31 March 2020 £'000s	12 months ended 31 March 2019 £'000s
Interest on pension scheme liabilities (note 32)	**(497)**	(516)
Interest on pension scheme assets (note 32)	**328**	350
	(169)	(166)

11. Directors' remuneration

	12 months ended 31 March 2020 £'000s	12 months ended 31 March 2019 £'000s
Directors' salaries, benefits, and fees	**(786)**	(1,103)
Final payments in relation to services rendered	**–**	(180)
Related party Directors' fees and consultancy fees (note 31)	**–**	(6)
	(786)	(1,289)

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 2020 £'000s	12 months ended 31 March 2019 £'000s
P G Ridgwell (to May 19)	6	–	–	–	**6**	39
J M d'Unienville	25	–	–	–	**25**	25
C O Thomas (to Jul 19)	10	–	–	–	**10**	46
H C L Cawley (to Feb 2020)	377	10		–	**387**	687
M Keeling (from Jul 2019)	113	9	10		**132**	
J A Mackenzie	25	–	–	–	**25**	25
S Dawson (to Oct 19)	21	–	–	–	**21**	17
M Holt	88	–	–	–	**88**	22
Paul Richardson (from Oct 19 to Apr 20)	51	–	–	–	**51**	–
A Ridgwell (from May 19)	23	–	–	–	**23**	–
G Lumsden (from Oct 19)	18	–	–	–	**18**	–
	757	19	10	–	**786**	1,283

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.

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 31.

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	**135**
J M d'Unienville	**25**
J A MacKenzie	**25**
S Dawson	**25**
A Ridgwell	**25**
G Lumsden	**38**
M Keeling	**142**
	415

Directors' interests in share options:

		Date of Grant	No. of options at 31 March 2020	No. of options at 31 March 2019	Exercise Price	Earliest Exercise Date	Exercise Expiry Date
P G Ridgwell	Unapproved options	July 09	–	476,190	5.25p	July 12	July 19
	Unapproved options	May 10	–	61,224	24.50p	May 13	May 20
C O Thomas	Unapproved options	July 09	–	304,762	5.25p	July 12	July 19
	Unapproved options	May 10	–	40,816	24.50p	May 13	May 20

No new options were granted to Directors during the year (2019: 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 2020 was 2.75p and the range during the year was 2.50p to 8.00p.

No Director exercised share options during the year.

During the period retirement benefits were accruing to one director (2019: one).

Notes to the Financial Statements (continued)

Year ended 31 March 2020

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 2020 Group	31 March 2020 Company	31 March 2019 Group	31 March 2019 Company
Continuing operations				
Production	**487**	**–**	452	–
Selling and distribution	**51**	**–**	70	–
Directors and administrative	**86**	**7**	63	15
	624	**7**	585	15
Discontinued operations				
Production	**–**	**–**	501	–
Selling and distribution	**–**	**–**	46	–
Directors and administrative	**–**	**–**	84	–
	–	**–**	631	–
Total no. of staff	**624**	**7**	1,216	15

The aggregate payroll costs were as follows:

	31 March 2020 Group £'000s	31 March 2020 Company £'000s	31 March 2019 Group £'000s	31 March 2019 Company £'000s
Continuing operations				
Wages, salaries, and fees	**16,725**	**923**	17,831	1,919
Social security costs	**1,670**	**197**	1,786	239
Other pension costs	**813**	**28**	1,005	124
	19,208	**1,148**	20,622	2,282
Discontinued operations				
Wages, salaries, and fees	**–**	**–**	6,939	–
Social security costs	**–**	**–**	590	–
Other pension costs	**–**	**–**	291	–
	–	**–**	7,820	–
Total payroll costs	**19,208**	**1,148**	28,442	2,282

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 2020 Group £'000s	31 March 2020 Company £'000s	31 March 2019 Group £'000s	31 March 2019 Company £'000s
Wages, salaries, and fees	**462**	**–**	682	–
Social security costs	**63**	**–**	94	–
Other pension costs	**32**	**–**	53	–
Total payroll costs	**557**	**–**	829	–

13. Notes supporting the cash flow statement

The cash collateral figure for the Group is £0.2million (FY19 £2.0m). This has been provided to Lloyds Bank plc as security for insurance claims of the Group. 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 2020	(667)	667	**–**
At 31 March 2019	37,961	668	**38,629**
Cash Flows	(2,661)	1,184	**(1,477)**
Non-cash flows			
– Interest accruing on loans	5,425	–	**5,425**
– Redemption premiums added to accrued interest cost on shareholder loans	3,084	–	**3,084**
– Transaction costs of issuance of convertible loan notes included in liability	115	–	**115**
– Loans and borrowings classified as non-current at March 2019 becoming current before March 2020	(865)	865	**–**
At 31 March 2020	**43,059**	**2,717**	**45,776**

Company

Real Good Food plc (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**
Cash Flows	(4,248)	–	**(4,248)**
Non-cash flows			
– Interest accruing on loans	5,011	–	**5,011**
– Redemption premiums added to accrued interest cost on shareholder loans	3,084	–	**3,084**
– Transaction costs of issuance of convertible loan notes included in liability	115	–	**115**
At 31 March 2020	**40,677**	**–**	**40,677**

Notes to the Financial Statements (continued)

Year ended 31 March 2020

13. Notes supporting the cash flow statement (continued)

Net Debt

Net debt is a key performance indicator for the Group. It is defined as short term and long term borrowings less cash. See table below:

	Note	31 March 2020 Group £'000s	31 March 2020 Company £'000s	31 March 2019 Group £'000s	31 March 2019 Company £'000s
Short term borrowings	23	**(2,717)**	**–**	(668)	**–**
Short term lease liabilities	23	**(390)**	**–**	–	**–**
Long term borrowings	23	**(43,059)**	**(40,677)**	(37,961)	**(36,715)**
Long term lease liabilities	23	**(567)**	**–**	–	**–**
Cash		**1,363**	**8**	2,909	**1,140**
Total Net Debt		**(45,370)**	**(40,669)**	(35,720)	**(35,575)**

Group

	Net cash and current borrowings £'000s	Non-current borrowings £'000s	Net debt £'000s
At 1 April 2018	21,429	16,390	37,819
Cash flow	(2,719)	(3,082)	(5,801)
Other non-cash movements[1]	(20,951)	24,653	3,702
At 31 March 2019	(2,241)	37,961	35,720
Cash flow[2]	1,882	(1,723)	159
Other non-cash movements[3]	2,103	7,388	9,491
At 31 March 2020	**1,744**	**43,626**	**45,370**

Company

	Net cash and current borrowings £'000s	Non-current borrowings £'000s	Net debt £'000s
At 1 April 2018	13,417	11,254	24,671
Cash flow	(2,413)	9,401	6,988
Other non-cash movements[1]	(12,144)	16,060	3,916
At 31 March 2019	(1,140)	36,715	35,575
Cash flow[2]	1,132	(4,519)	(3,387)
Other non-cash movements[3]	–	8,481	8,481
At 31 March 2020	**(8)**	**40,677**	**40,669**

1. Includes £12.1m of investor loans which were renegotiated from short term to long term borrowings and £8.7m of revolving credit facilities repaid in the year
2. Includes investor loans of £3.7m and accrued interest of £0.5m repaid in the year from new borrowings of £3.6m
3. Includes additional accrued interest of £5.0m on investor loans and convertible loan notes and redemption premiums of £3.1m on shareholder loan

14. Taxation

Group

	31 March 2020 £'000s	31 March 2019 £'000s
Current tax		
UK current tax on loss of the period	**–**	–
UK current tax on significant items	**–**	–
Adjustments to tax in respect of prior years	**–**	(43)
Total current tax	**–**	(43)
Origination and reversal of timing differences	**1,692**	589
Adjustments in respect of prior years	**–**	(197)
Total deferred tax	**1,692**	392
Tax – continuing operations	**1,692**	349
Tax – discontinued operations	**–**	–
Total tax	**1,692**	349
Tax on loss	**–**	349

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% (2019: 19%).The differences are explained below:

	31 March 2020 £'000s	31 March 2019 £'000s
Tax reconciliation		
Loss per accounts before taxation	**(20,147)**	(32,333)
Tax on loss on ordinary activities at standard corporation tax rate of 19%	**3,828**	6,143
Expenses not deductible for tax purposes	**(2,209)**	(3,355)
Movement on unrecognised deferred tax	**–**	(2,134)
Adjustments in respect of change in deferred tax rate	**73**	(65)
Adjustments to tax in respect of prior years	**–**	(240)
Total tax	**1,692**	349
Tax on continuing operations	**1,692**	349
Tax on discontinued operations	**–**	–
Tax charge for the period	**1,692**	349

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

The Finance Act 2016 introduced a proposed 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 were expected to reverse after 1 April 2020 had been valued at the lower rate of 17%.

The Finance Act 2020 revised the main rate of corporation tax to 19% from 17 March 2020. These changes were substantively enacted on 17 March 2020, and deferred tax provisions at 17% have been revised to take account of the 19% rate in the current period.

Notes to the Financial Statements (continued)

Year ended 31 March 2020

15. Earnings per share

Basic earnings per share

Basic earnings per share is calculated on the basis of dividing the 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 2020 Continuing Operations	**12 months ended 31 March 2020 Discontinued Operations**	12 months ended 31 March 2019 Continuing Operations	12 months ended 31 March 2019 Discontinued Operations
Loss after tax attributable to ordinary shareholders (£'000s)	**(19,121)**	**–**	(26,078)	(6,243)
Weighted average number of shares in issue for basic EPS ('000s)	**99,505**	**–**	91,032	91,032
Employee share options ('000s)	**1,830**	**–**	364	364
Convertible loan notes ('000s)	**200,571**	**–**	144,554	144,554
Weighted average number of shares in issue for diluted EPS ('000s)	**301,906**	**–**	235,950	235,950
Basic and diluted loss per share	**(19.22)p**	**–**	(28.64)p	(6.85)p

The total loss per share for 2020 is (19.22)p (2019 continuing and discontinued operations: (35.49)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 6.33p (2019: loss of 11.05p on the continuing operations and a loss per share of 2.64p on the discontinued operations).

The weighted average number of shares in issue for the year was 99,504,581 and the number of options outstanding was 4,060,835. If these were all exercised the cash raised would be equivalent to that which would be raised by issuing 1,830,303 shares at the average share price during the year. There were also 211,924,421 convertible loan notes outstanding, of which the weighted average number of shares was 200,571,327. Therefore, the weighted average number of dilutive potential ordinary shares is 301,906,212.

Because the adoption of IFRS 16 Leases has increased EBITDA, it has had the effect of reducing the loss per share by 0.52p and the diluted loss per share by 0.17p.

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 2019	50,375
Impairment	(12,622)
Carried forward balance 31 March 2020	**37,753**

	31 March 2020 £'000s	31 March 2019 £'000s
Cake Decoration	**32,722**	45,344
Brighter Foods	**5,031**	5,031
Carried forward	**37,753**	50,375

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.

The impairment calculation is based on the covid-19 budget for the financial year FY21.

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% (2019: 10%). 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 £12.6 million (2019: impairment of £18.7 for Cake Decoration). Cake Decoration is a core division for the Group and is currently in turnaround. The investments made in manufacturing capability in recent 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.

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 £2.7 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 £1.9 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	45,140	60,334
Brighter Foods	18,846	63,358

17. Other intangible assets

	Customer Relationships £'000s	Computer Software £'000s	Development Costs £'000s	Group £'000s	Company £'000s
Cost					
At 1 April 2019	4,170	332	111	4,613	296
Additions	–	–	–	–	–
At 31 March 2020	4,170	332	111	4,613	296
Amortisation					
At 1 April 2019	2,794	153	67	3,014	146
Charge	1,376	132	30	1,538	132
At 31 March 2020	4,170	285	97	4,552	278
Net Book Value at 31 March 2020	**–**	**47**	**14**	**61**	**18**
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

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 2020 consist of £18k computer software (2019: £132k) and £Nil development costs (2019: £18k).

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

18. Property, plant, and equipment

Group

	Land and Buildings £'000s	Plant and Equipment £'000s	Assets in the course of construction £'000s	Total £'000s
Cost				
At 1 April 2019	3,355	22,920	494	26,769
Transfer from assets under construction	–	494	(494)	–
Reclassified to non-current assets held for sale	–	(1,878)	–	(1,878)
IFRS 16 adjustments	1,256	208	–	1,464
Additions	261	1,558	–	1,819
At 31 March 2020	**4,872**	**23,302**	**–**	**28,174**
Depreciation				
At 1 April 2019	734	9,457	–	10,191
Reclassified to non-current assets held for sale	–	(878)	–	(878)
Charge	443	1,932	–	2,375
Impairment	–	287	–	287
At 31 March 2020	**1,177**	**10,798**	**–**	**11,975**
Net Book Value at 31 March 2020	**3,695**	**12,504**	**–**	**16,199**
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)
Disposals from sale of subsidiary	(13,860)	(22,923)	(357)	(37,140)
Disposals	(4)	(2,262)	–	(2,266)
Additions	791	2,929	754	4,474
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)
Impairment	–	(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

Notes to the Financial Statements (continued)

Year ended 31 March 2020

18. Property, plant, and equipment (continued)

Right of use assets

From 1 April 2019, the Group has adopted IFRS 16 Leases. Right of use assets recognised upon adoption of the standard are reflected in the underlying asset classes of property, plant, and equipment. The initial adjustments to cost are reflected in the table above as IFRS 16 adjustments.

Set out below are the carrying amounts of right of use assets recognised and the movements during the year:

	Land and Buildings £'000s	Plant and Equipment £'000s	Total £'000s
Cost			
At 1 April 2019	620	208	828
Additions	636	–	636
At 31 March 2020	**1,256**	**208**	**1,464**
Depreciation			
At 1 April 2019	–	–	–
Charge	(313)	(175)	(488)
At 31 March 2020	**(313)**	**(175)**	**(488)**
Net Book Value at 31 March 2020	**943**	**33**	**976**

Capital commitments in relation to property, plant and equipment are disclosed in note 30.

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

Company

	Land and Buildings £'000s	Plant and Equipment £'000s	Total £'000s
Cost			
At 1 April 2019	498	1,679	2,177
Reclassified to non-current assets held for sale	(498)	(1,380)	(1,878)
Additions	–	–	–
At 31 March 2020	**–**	**299**	**299**
Depreciation			
At 1 April 2019	31	529	560
Reclassified to non-current assets held for sale	(41)	(837)	(878)
Charge	10	177	187
Impairment	–	287	287
At 31 March 2020	**–**	**156**	**156**
Net Book Value at 31 March 2020	**–**	**143**	**143**
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

The company does not have any right of use assets.

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 2019	53,900	–	770	54,670
Impairment	–	–	–	–
At 31 March 2020	**53,900**	**–**	**770**	**54,670**

A review of the investments held by the Company was undertaken in the year. This did not result in an impairment charge (2019: charge of £0.9 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 (2020 and 2019 £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 2020 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, 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 2020 Group £'000s	31 March 2020 Company £'000s	31 March 2019 Group £'000s	31 March 2019 Company £'000s
Opening position	**622**	**(1,259)**	906	(1,176)
(Credit) to income statement	**(1,692)**	**(35)**	(393)	(192)
(Credit)/charge to other comprehensive income – defined benefit pension scheme movement	**(215)**	**(215)**	75	75
Charge to equity – deferred tax on share-based payments	**–**	**1**	34	34
Closing position	**(1,285)**	**(1,508)**	622	(1,259)
Shown as follows:				
Liabilities	**223**	**–**	1,881	–
Assets	**(1,508)**	**(1,508)**	(1,259)	(1,259)
	(1,285)	**(1,508)**	622	(1,259)

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 2019	(1)	(1,258)	(1,259)
(Credit) to income	–	(35)	(35)
(Credit) to other comprehensive income	–	(215)	(215)
Charge to equity	1	–	1
At 31 March 2020	**–**	**(1,508)**	**(1,508)**
Within 12 months	–	–	–
Greater than 12 months	–	(1,508)	(1,508)

Deferred tax liabilities

	Intangible Assets £'000s	Tangible Assets £'000s	Total £'000s
At 31 March 2019	1,446	435	1,881
(Credit) to income statement	(1,446)	(212)	(1,658)
At 31 March 2020	**–**	**223**	**223**

There were £16.9 million of unused tax losses (2019: £12.3 million) on which deferred tax of £3.2 million (2019: £2.3 million) is not recognised owing to uncertainty over when those losses will be utilised. The losses have no expiration date.

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

Company

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

	Pension Scheme £'000s	Share Options £'000s	Total £'000s
At 31 March 2019	(1,258)	(1)	(1,259)
(Credit) to income statement	(35)	–	(35)
(Credit) to other comprehensive income	(215)	–	(215)
(Credit)/charge to equity	–	1	1
At 31 March 2020	**(1,508)**	**–**	**(1,508)**
Within 12 months	–	–	–
Greater than 12 months	(1,508)	–	(1,508)

21. Inventories

	31 March 2020 Group £'000s	31 March 2020 Company £'000s	31 March 2019 Group £'000s	31 March 2019 Company £'000s
Materials	**4,227**	**–**	4,322	–
Work in Progress	**149**	**–**	194	–
Finished Goods	**2,447**	**–**	2,324	–
	6,823	**–**	6,840	–
Continuing Business	**6,823**	**–**	6,840	–

Inventories totalling £6,823k (2019: £6,840k) are valued at the lower of cost and net realisable value. The Directors consider that this value represents the best estimate of the fair value of those inventories net of costs to sell. The company does not hold inventory.

22. Trade and other receivables

	31 March 2020 Group £'000s	31 March 2020 Company £'000s	31 March 2019 Group £'000s	31 March 2019 Company £'000s
Current trade and other receivables				
Trade receivables	**9,828**	**15**	6,755	7
Less: provision for impairment of receivables	**(192)**	**–**	(108)	–
Net trade receivables	**9,636**	**15**	6,647	7
Other receivables	**220**	**215**	534	–
Amounts owed by Group undertakings	**–**	**70,811**	–	69,550
Deferred consideration for disposals	**50**	**50**	600	600
Prepayments	**326**	**34**	833	284
Total	**10,232**	**71,125**	8,614	70,441
Amount due within 12 months	**10,232**	**5,265**	8,614	5,265
Amount due after 12 months	**–**	**65,860**	–	65,176
Total	**10,232**	**71,125**	8,614	70,441

At 31 March 2020, the Group had an outstanding balance on the revolving credit facility of £1,853k (2019: nil) for which 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 2020 Group £'000s	31 March 2020 Company £'000s	31 March 2019 Group £'000s	31 March 2019 Company £'000s
At 31 March 2019	**(108)**	**–**	(135)	–
Amount written off through disposal of subsidiary	**–**	**–**	116	–
Charge for period (note 8)	**(84)**	**–**	(100)	–
Uncollectable amount written off	**–**	**–**	11	–
At 31 March 2020	**(192)**	**–**	(108)	–

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 and are then adjusted by 50% to account for the current economic climate.

At 31 March 2020, 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	5,827	2,462	484	1,049	6	9,828
Loss provision	58	50	15	63	6	192

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 £84k (2019: charge of £100k) 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 £2.6 million were past due but not impaired. The ageing analysis of these receivables is as follows:

	31 March 2020 Group £'000s	31 March 2019 Group £'000s
Up to 30 days past due	**2,043**	1,008
One to three months past due	**413**	205
Over three months past due	**106**	127
	2,562	1,340

23. Borrowings and capital management

	31 March 2020 Group £'000s	31 March 2020 Company £'000s	31 March 2019 Group £'000s	31 March 2019 Company £'000s
Secured borrowings at amortised cost				
Bank term loans	**2,916**	**–**	–	–
Revolving credit facilities	**1,853**	**–**	–	–
Leases	**957**	**–**	–	–
Other loans	**102**	**–**	1,636	–
Investor loans*	**28,336**	**28,336**	25,165	25,165
Investor loans – Cash Collateral	**–**	**–**	2,000	2,000
Convertible loan notes**	**12,341**	**12,341**	9,550	9,550
Government grants	**228**	**–**	278	–
	46,733	**40,677**	38,629	36,715
Borrowings due for settlement within 12 months	**2,717**	**–**	668	–
Lease liabilities due for settlement within 12 months	**390**	**–**	–	–
Borrowings due for settlement after 12 month	**43,059**	**40,677**	37,961	36,715
Lease liabilities due for settlement after 12 months	**567**	**–**	–	–
Total	**46,733**	**40,677**	38,629	36,715

* Accrued interest of £2.9 million at 31 March 2019 is not shown in the above Investor loans, this is shown within accruals in payables. The investor loans shown consists of £20.6 million principal amount, £4.6 million accrued interest up to 31 March 2020 and redemption premiums of £3.1 million.

** Convertible loan notes shown at 31 March 2020 consist of £8.8 million investment (2019: £8.8 million), £3.6 million accrued interest (2019: £1.4 million), £nil fair value adjustment (2019: £(0.3) million) and £(0.1 million) of transaction costs (2019: £(0.3) million) being spread over the remaining 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 December 2020 to require repayment in May 2022.

Convertible loan notes

In May 2018, the Company secured further funding from each of its major shareholders totalling £8.8 million. NB Holdings Ltd and Omnicane Investors Ltd each providing £3.4 million and funds managed by 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. In December 2020, the shareholders agreed to amend the repayment date of the loans to the 19 May 2022. Also, the Amendment Deed amends the CLNs minimum annual return from 30% per annum to 12% per annum, effective from 31 December 2020

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 19 May 2022, 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 2020, the derivative liability was valued at £nil (2019: £0.3 million)

The convertible loan notes shown consist of a host loan at amortised costs of £8.8 million and £4.3 million accrued interest up to 31 March 2020.

23. Borrowings and capital management (continued)

Features of the Group's borrowings are as follows:

The Group's financial instruments comprised cash, leases, a revolving credit facility, 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.

During the year ended 31 March 2020 the Group continued with the borrowing facilities in place and secured loans from investors. As at 31 March 2020, the borrowings comprised:

- revolving credit facility of £5.45 million with Leumi ABL Limited on a revolving basis with a term of 60 months. This facility is secured against the debtors of JF Renshaw Ltd and Rainbow Dust Colours Ltd with an interest rate of 2.25% above 3-month LIBOR. Because the group retains the risks and rewards of ownership of the underlying debts, these continue to be recognised in these financial statements.
- The Group secured facilities against specific plant and machinery with Leumi ABL Limited £2.1 million. The facilities interest payable is 2.75% above LIBOR.
- The Group secured a £1.3m term loan facility with the term being 60 months.

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 2020 were as follows:

Date	Amount	Method of Funding	Major Shareholder(s)
May 2018	£8.8m	Secured convertible loan notes	NB Holdings Ltd (£3.4m), Omnicane Investors Ltd (£3.4m), Funds managed by Downing LLP (2.0m)
March 2018	£4.0m	Secured loan notes	NB Holdings Ltd (£1.7m), Omnicane Investors Ltd (£1.7m), Funds managed by Downing LLP (£0.6m)
January 2018	£3.0m	Secured loan notes	NB Holdings Ltd (£1.3m), Omnicane Investors Ltd (£1.3m), Funds managed by Downing LLP (£0.4m)
September 2017	£4.0m	Secured loan notes	NB Holdings Ltd (£1.33m), Omnicane Investors Ltd £1.33m), Funds managed by Downing LLP (£1.33m)
August 2017	£0.8m	Secured loan notes	NB Holdings Ltd (£0.4m), Omnicane Investors Ltd (£0.4m)
June 2017	£2.7m	Secured loan notes	NB Holdings Ltd (£1.3m), Omnicane Investors Ltd (£1.3m)
June 2017	£6.1m*	Secured loan notes	Funds managed by Downing LLP
Total	**£29.4m**		

* 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 2020 Leumi ABL Limited 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 had a guarantee over the Brighter Foods debtors.

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.

23. Borrowings and capital management (continued)

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

	Less than 1 month £'000s	1-3 months £'000s	3 months to 1 year £'000s	1-5 years £'000s	5+ years £'000s	Total £'000s
2020						
Trade and other payables	**6,738**	**1,710**	**420**	**229**	**–**	**9,097**
Investor loans	**–**	**–**	**–**	**20,562**	**–**	**20,562**
Convertible loan notes	**–**	**–**	**–**	**8,807**	**–**	**8,807**
Bank term loans	**72**	**144**	**649**	**2,051**	**–**	**2,916**
Revolving credit facilities	**–**	**–**	**1,853**	**–**	**–**	**1,853**
Leases	**45**	**59**	**261**	**335**	**257**	**957**
Government grants	**5**	**12**	**32**	**179**	**–**	**228**
NCI put option liability	**–**	**–**	**2,900**	**1,520**	**–**	**4,420**
	6,860	**1,925**	**6,115**	**33,683**	**257**	**48,840**
Interest	**–**	**–**	**–**	**8,771**	**–**	**8,771**
Redemption premiums	**–**	**–**	**–**	**3,084**	**–**	**3,084**
Total	**6,860**	**1,925**	**6,115**	**45,538**	**257**	**60,695**

	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
Convertible loan notes	–	–	–	8,807	–	8,807
Revolving credit facilities	–	–	–	–	–	–
Investor loans	–	–	–	24,254	–	24,254
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

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

Analysis of market risk sensitivity

Currency risks:

The Group is exposed to currency 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.

24. Lease liabilities

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	31 March 2020 £'000s	31 March 2019 £'000s
Current lease liabilities	**390**	–
Non-current lease liabilities	**567**	–
	957	–

The maturity of lease liabilities as at 31 March 2020 is further analysed as set out below:

	31 March 2020 £'000s
Lease liabilities:	
Due in less than one year	**390**
Due between one to five years	**336**
Due in over 5 years	**231**
	957

The fair value of the lease liabilities is approximately equal to their carrying amount. The significant differences between the operating lease liabilities at 31 March 2019 and the opening lease liabilities at 1 April 2019 are set out below:

	Group £'000s
Operating lease commitments at 31 March 2019	428
Effect of extension options	1,176
Undiscounted lease payments	1,604
Effect of discounting using the incremental borrowing rate	(140)
Lease liability at 1 April 2019	1,464

Lease liabilities have been discounted using an average annual rate of 4.41%, which corresponds to the rate at which the Group has borrowed against assets. If a rate of 10% were applied, then the charge to profit would be increased by £15k.

The movements in the lease liability in the year are set out below:

	Group £'000s
Lease liability at 1 April 2019	1,464
Repayments of lease liabilities	(519)
Interest expense	12
Lease liability at 31 March 2020	**957**

The total cash outflow in respect of leases is equal to the repayments of lease liabilities.

The Group applies exemptions available under IFRS 16 in relation to leases for assets of a low-value, and short-term leases. These leases are not reflected in the measurement of lease liabilities. The future cash outflows to which the Group is exposed in respect of these leases and the expenses charged to the income statement are not considered material.

25. Trade and other payables

	31 March 2020 Group £'000s	31 March 2020 Company £'000s	31 March 2019 Group £'000s	31 March 2019 Company £'000s
Amount due within one year				
Trade payables	**4,419**	**28**	5,809	425
Other tax & social security	**1,326**	**22**	626	54
Accruals	**2,640**	**698**	3,866	1,892
Amounts owed to Group undertakings	**–**	**81,546**	–	75,972
Other payables	**712**	**–**	328	48
Total	**9,097**	**82,294**	10,629	78,391

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

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

26. 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 2020 Group £'000s	31 March 2020 Company £'000s	31 March 2019 Group £'000s	31 March 2019 Company £'000s
Loans and receivables at amortised cost				
Cash and cash equivalents	**1,363**	**8**	2,909	1,140
Cash collateral	**215**	**215**	2,000	2,000
Trade receivables	**9,828**	**15**	6,647	7
Other debtors	**220**	**215**	534	–
Deferred consideration	**50**	**50**	600	–
Amounts owed by Group undertakings	**–**	**70,811**	–	69,550
	11,676	**71,314**	12,690	72,697
Financial liabilities at amortised cost				
Trade payables	**4,419**	**28**	5,809	425
Accruals	**2,640**	**808**	3,866	1,892
Other payables	**1,535**	**–**	328	48
Bank term loans	**2,916**	**–**	–	–
Revolving Credit Facility	**1,853**	**–**	–	–
Lease assets	**957**	**–**	–	–
Lease	**–**	**–**	1,636	–
Investor loans	**28,336**	**28,336**	27,165	27,165
Convertible loan notes	**12,341**	**12,341**	9,550	9,550
Amounts owed to Group undertakings	**–**	**81,546**	–	75,972
	54,997	**123,059**	48,354	115,052
Financial liabilities at fair value through profit and loss				
NCI put option	**4,420**	**–**	4,997	–
Derivative liability	**–**	**–**	294	294
	4,420	**–**	5,291	294
Total financial liabilities	**59,417**	**123,059**	53,645	115,346

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.

26. Financial instruments (continued)

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).

27. Share capital

	Number of Shares 2020	Number of Shares 2019	**31 March 2020 £'000s**	31 March 2019 £'000s
Allotted, called up and fully paid equity share capital				
At the beginning of the year (1 April)	**99,326,335**	78,449,241	**1,987**	1,569
Issued in the year	**238,095**	20,877,094	**4**	418
At the end of the year (31 March)	**99,564,430**	99,326,335	**1,991**	1,987

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

Shares issued in the year are relating to employee options being exercised.

There are 4,060,835 shares reserved for issue under options, with expiry dates beyond 2020, outstanding at the end of the year.

28. 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.

29. 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 2020 Number of Share Options	**31 March 2020 Weighted Average Exercise Price (£)**	31 March 2019 Number of Share Options	31 March 2019 Weighted Average Exercise Price (£)
Outstanding at the beginning of the period	**5,554,550**	**0.23**	6,930,748	0.23
Granted during the year	**–**	**–**	–	–
Exercised during the year	**(238,095)**	**(0.05)**	(761,904)	(0.05)
Forfeited during the year	**(1,255,620)**	**(0.39)**	(614,294)	(0.39)
Outstanding at the end of the period*	**4,060,835**	**0.26**	5,554,550	0.23
Exercisable at the end of the period	**4,060,835**	**0.26**	5,554,550	0.23

* All of the outstanding options have an exercise price within the range of £0.00–£0.46 in both 2020 and 2019. The weighted average remaining contractual life of share options outstanding at the end of the period is 1.3 years (2019: 2.5 years).

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
Weighted average exercise price	£0.33
Weighted average share price	£0.30

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 £35k (2019: a credit of £37k). This is shown in administration expenses in the Company as the charge relates to employees of the Company.

30. Commitments

Capital commitments

	31 March 2020 £'000s	31 March 2019 £'000s
Commitments for the acquisition of property, plant, and equipment	**177**	546

Notes to the Financial Statements (continued)

Year ended 31 March 2020

31. 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 2020 £'000s	12 months ended 31 March 2019 £'000s
Brandgrowth LLC	**S Dawson**	–	6
		–	**6**

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 2020 £'000s	12 months ended 31 March 2019 £'000s
Brighter Foods Ltd	**240**	240
J F Renshaw Ltd	**720**	720
Haydens Bakery Ltd (prior to disposal)	**–**	150
Rainbow Dust Colours Ltd	**60**	60
R&W Scott Ltd (prior to disposal)	**–**	173
N Brown Foods Ltd	**–**	1
Real Good Food Ingredients Ltd (prior to cessation of trade)	**–**	30
	1,020	1,374

Amounts due to subsidiaries

Drawdowns on the revolving credit 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 2020 £'000s	12 months ended 31 March 2019 £'000s
Brighter Foods Ltd	**4,660**	4,028
Eurofoods plc	**69**	69
J F Renshaw Ltd	**66,017**	61,579
RGF Devizes Ltd	**1,248**	1,248
Rainbow Dust Colours Ltd	**7,737**	7,222
Real Good Food Ingredients Ltd (discontinued)	**1,815**	1,826
	81,546	75,972

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

31. Related party transactions (continued)

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 2020 £'000s	12 months ended 31 March 2019 £'000s
Brighter Foods Ltd	**144**	288
J F Renshaw Ltd	**5,097**	3,847
N Brown Foods Ltd	**57,659**	57,659
Rainbow Dust Colours Ltd	**175**	10
Renshaw Europe SA	**1,103**	–
Renshaw USA Incorporated	**254**	–
RGFC Dust Ltd	**6,345**	7,746
Real Good Food Ingredients Ltd (discontinued)	**34**	–
	70,811	69,550

32. 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 the date of leaving the Plan (or 5 April 2004 if earlier), and length of service.

An arrangement was previously agreed with the Trustees under which employer contributions to the scheme are £1 million per year 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 2020. This has resulted in a deficit in the Plan of £7,936k. The present value of contributions payable exceeds the net liability and, in accordance with IFRIC14, the additional liability has been recognised.

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

	31 March 2020 £'000s	31 March 2019 £'000s	31 March 2018 (restated)* £'000s	31 March 2017 (restated)* £'000s	31 March 2016 £'000s
Present value of defined benefit obligation	**20,750**	21,177	21,448	21,319	21,094
Fair value of Plan assets	**(13,735)**	(13,774)	(13,529)	(13,946)	(15,013)
Deficit/(surplus) in Plan	**7,015**	7,403	7,919	7,373	6,081
Effect of asset ceiling/IFRIC14	**921**	–	–	–	–
Gross amount recognised	**7,936**	7,403	7,919	7,373	6,081
Deferred tax **	**(1,508)**	(1,258)	(1,094)	(1,120)	(1,155)
Net liability	**6,428**	6,145	6,825	6,253	4,926

* 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 2020: 19%, 2016, 2017, 2018 & 2019: 17%

Notes to the Financial Statements (continued)

Year ended 31 March 2020

32. Pensions arrangements (continued)

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

	31 March 2020 £'000s	31 March 2019 £'000s
Defined benefit obligation at start of period	**21,177**	21,448
Interest cost	**497**	516
Actuarial (gains)/losses	**(8)**	77
Past service cost	**16**	106
Benefits paid	**(932)**	(970)
Defined benefit obligation at end of period	**20,750**	21,177

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

	31 March 2020 £'000s	31 March 2019 £'000s
Fair value of Plan assets at start of period	**13,774**	13,529
Interest income on Plan assets	**328**	350
Return on assets less interest income	**(168)**	518
Contributions paid by the Group	**733**	347
Benefits paid, death-in-service insurance premiums and expenses	**(932)**	(970)
Fair value of Plan assets at end of period	**13,735**	13,774
UK equities	**2,210**	2,667
Other investments	**11,525**	11,107
Total plan assets at end of period	**13,735**	13,774

The actual return on the Plan assets over the period ended 31 March 2020 was £(82)k (2019: £868k).

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

	31 March 2020 £'000s	31 March 2019 £'000s
Interest on liabilities	**497**	516
Interest on assets	**(328)**	(350)
Net interest cost	**169**	166
Past service cost	**16**	106
Total cost	**185**	272

Statement of recognised income and expenses

	31 March 2020 £'000s	31 March 2019 £'000s
Actuarial (loss)/gain on the Plan assets	**(168)**	518
Experience gains arising on the Plan liabilities	**–**	427
Actuarial (loss)/gain on the Plan liabilities arising from changes in demographic assumptions	**(151)**	436
Actuarial gain/(loss) on the Plan liabilities arising from changes in financial assumptions	**143**	(940)
Change in the effect of the asset ceiling / IFRIC14	**(921)**	–
Total amount recognised in Statement of Other Comprehensive Income	**(1,097)**	441

32. Pensions arrangements (continued)

Assets

	31 March 2020 £'000s	31 March 2019 £'000s	31 March 2018 £'000s
UK equity	**2,210**	2,667	1,511
Overseas equity	**–**	–	2,952
Absolute return fund	**1,522**	1,013	3,136
Corporate Bonds	**2,746**	2,699	1,105
Gilts	**3,112**	3,137	945
Multi-Asset Funds	**3,927**	4,055	–
Property	**–**	–	83
Cash	**218**	203	1,122
Alternative assets	**–**	–	2,675
Total assets	**13,735**	13,774	13,529

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

	31 March 2020 £'000s	31 March 2019 £'000s	31 March 2018 £'000s	31 March 2017 £'000s
Inflation	**2.70**	3.30	3.10	3.20
Salary increases	**–**	–	–	–
Rate of discount	**2.30**	2.40	2.65	2.85
Allowance for pension in payment increases				
RPI max 5%	**2.70**	3.10	3.00	3.10
RPI min 3% max 5%	**3.20**	3.50	3.40	3.40
Allowance for revaluation of deferred pensions	**2.20**	2.30	2.10	2.20
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 2020 and then making appropriate adjustments for known experience and for differences in assumptions.

The mortality assumptions adopted at 31 March 2020 and 31 March 2019 imply the following life expectancies from age 65:

	31 March 2020	31 March 2019
Male retiring at age 65 in current year	**21 years**	21 years
Female retiring at age 65 in current year	**23 years**	23 years
Male retiring at age 65 in 20 years' time	**22 years**	22 years
Female retiring at age 65 in 20 years' time	**25 years**	24 years

The weighted–average duration of the defined benefit obligation at 31 March 2020 was 15 years (2019: 15 years).

32. Pensions arrangements (continued)

Historic funding positions

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

	12 months ended 31 March 2020 £'000s	12 months ended 31 March 2019 £'000s	12 months ended 31 March 2018 (restated)* £'000s	12 months ended 31 March 2017 £'000s	12 months ended 31 March 2016 £'000s
Fair value of assets	**13,735**	13,774	13,529	13,946	15,013
Defined benefit obligation	**(20,750)**	(21,177)	(21,448)	(21,319)	(21,094)
Effect of asset ceiling / IFRIC14	**(921)**	–	–	–	–
(Deficit) in scheme	**(7,936)**	(7,403)	(7,919)	(7,373)	(6,081)
Experience adjustment on scheme assets	**(168)**	518	(232)	652	(1,122)
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:

	Reasonably Possible Change	Obligation Increase	Obligation Decrease
Discount Rate	(+/- 0.5%)	8%	7%
RPI Inflation	(+/- 0.5%)	3%	3%
Assumed Life expectancy	(+/-) 1 Year	4%	4%

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.

33. Assets held for sale

Following the sale of the trade and assets of Real Good Food 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.

As such, the asset is classified as held for sale within the consolidated statement of financial position at 31 March 2020.

Following the restructure of the RGF Group Head Office, the property at Wavertree, Liverpool is no longer required, with remaining staff relocating to the Crown Street property. The property is currently advertised for sale. The asset is within the Head Office operating segment. An impairment has been made in the accounts of £287k on classification of the asset as held for sale, to reduce the carrying value to the amount at which the property is being marketed.

The asset is classified as held for sale within the consolidated statement of financial position at 31 March 2020

	31 March 2020 £'000s	31 March 2019 £'000s
Property in Wavertree, Liverpool	1,000	–
Property near Bristol	148	148
Total assets held for sale	1,148	148

34. Contingent liability

The Group has received communication from the liquidators of Five Star Fish (FSF) claiming repayment of £610k in relation to a debt allegedly owed by RGF to FSF. Having taken legal advice, the Directors are of the view that this is not a valid claim against the Company and accordingly no provision has been made within the accounts.

A legal claim has been received by RGF from a third party. Having taken legal advice, the Directors consider the claim to be spurious and accordingly no provision has been made within the accounts.

35. Post-year end activities

1. An increase in the Leumi revolving credit facility was agreed on the 28 July 2020, increasing the facility by £2m, taking the overall facility to £10.87m. This action formed part of the covid-19 response to cash management. The funding was against Brighter Foods debtors.
2. Mike Holt, Non-Executive Chairman of the Company agreed to become the Executive Chairman of the Group from the 21 October 2020, a position he previously held following the departure of Hugh Cawley in September 2019. This change reflects the increased work being undertaken since the departure of Paul Richardson in 6 April 2020.
3. Amendment to shareholders' Agreement: on the 19 October 2020 RGF announced that it has entered into a Deed of Amendment amending the terms of the shareholders' agreement dated 4 April 2017 (the "SHA") between, amongst others the Group and the "Minority Shareholders" that regulates their relationship in relation to Brighter Foods Limited - the Group holds 84.34% and the Minority Shareholders hold 15.66% of the issued share capital of Brighter Foods. The Board of RGF believe that the Deed is in the best interest of all stakeholders as it reduces the immediate cash outflow of the Group and aligns the interests of the Minority Shareholders (who form part of the core management team of Brighter Foods) with RGF in improving earnings and ultimately maximising the value of the business to RGF. Under the terms of the SHA, a put option pursuant to which the Minority Shareholders can compel the Group to acquire 50% of the Minority Interest has become exercisable (the "2020 Option"). The price to be paid by the Group based on EBIT and cash flows of Brighter Foods for the year ended 31 March 2020 is approximately £2.8m. Pursuant to the Deed the Minority Shareholders have agreed, to forego their right to exercise the 2020 Option, with the SHA being amended such that the Minority Shareholders will now have a put option over the whole of the Minority Interest exercisable following the agreement of the audited accounts of Brighter Foods for the year ending 31 March 2021. The Group retains its call option over the whole of the Minority Interest, exercisable should the 2021 Option not be exercised. In consideration for the changes to the SHA being made by the Deed, the Group has agreed to pay the Minority Shareholders £1.0m on the date the Deed is entered into and a further £500,000 on 20 November 2020. The outstanding balance of the 2020 Payment, approximately £1.3m, has been deferred until the exercise of the 2021 Option. Interest becomes payable on the £1.3m at the rate of 10% from March 2021.
4. The Company's three major shareholders, NB. Ingredients Limited ("Napier Brown"), Omnicane International Investors Limited ("Omnicane"), and certain funds managed by Downing LLP ("Downing") (together the "Major Shareholders"), have finalised an amendment deed relating to the funding agreements. The Agreements have been amended such that the final repayment dates of each of the Agreements have been extended to 19 May 2022 (the "Final Repayment Date") with no change to the interest rate payable by the Company pursuant to each Agreement. In addition, the Amendment Deed amends the convertible loan notes ("CLNs") such that the minimum annual return on the CLNs will reduce from 30% per annum to 12% per annum, effective from 31 December 2020. Amounts due in respect of the period up to, and including, 31 December 2020 remain unchanged. For avoidance of doubt, the redemption premium on the Loan Notes instruments remains payable at 15%. As part of entering into the Amendment Deed the Company has undertaken that it will not enter into any transaction (or transactions in aggregate) that would result in a fundamental change of business of the Company without the prior consent of each of the Major Shareholders. This obligation would cease in the event of the repayment of the outstanding facilities with the Major Shareholders.

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