

Real Good Food plc

Cake Decoration



Annual Report and Accounts
For the year ended 31 March 2021



Cake Decoration

The Group's current objective:

To deliver a return on investment for all our stakeholders.

The Group's current strategy:

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



www.realgoodfoodplc.com

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Overview

Financial highlights

- Revenue from continuing businesses decreased by 9.5% to £37.3 million (2020: £41.2 million), in a year affected by covid-19.
- The Group delivered an adjusted underlying EBITDA* on continuing businesses of £0.2 million (2020: loss of £1.6 million), despite the impact of covid-19 on the continuing business.
- Cake Decoration, the Group's continuing business, was profitable (before depreciation, amortisation and significant items) and generated an adjusted EBITDA* of £0.8 million (2020: £1.8m).
- Central costs reduced significantly by £2.9 million to £0.6m (2020: £3.5 million).
- Net debt significantly reduced post year end, following the sale of Brighter Foods in May 2021:
 - Year-end net debt of £48.8 million (2020: £45.4 million).
 - Following the sale of Brighter Foods, net debt was reduced by £26.4m.
- The Board renegotiated interest rates on convertible loan notes to a simple 12% per annum with effect from 1 January 2021, and in September 2021 extended the redemption dates to 2023.
- The shareholder loans were extended in September 2021 to be repayable in May 2023.

Operational highlights

- Brighter Foods was sold to The Hut Group (THG) on 11 May 2021 for a cash consideration of £43 million. The sale price broadly equated to 8.6 times FY20 EBITDA and 11.7 times (unaudited) EBITDA for the 12 months ended 31 March 2021.
- Cake Decoration (trading under the brand names of Renshaw and Rainbow Dust Colours) demonstrated an ability to win new business from its streamlined cost base:
 - Launched 66 new products in the year with in-year revenues of c. £1.6 million and secured an important new blue-chip customer.
 - Improved year-on-year frosting revenues by 17%, following investment in its soft icing plant in this growing market.

Current trading

- Group revenues and profit are in line with Board expectations, and ahead of pre-pandemic levels (FY20), for the first five months of the new financial year, with good retail and international sales.
- Performance (underlying increased margins and increased revenues) achieved despite the recent logistics challenges seen across the UK economy.
- Cake Decoration has a solid foundation to launch more innovative products whilst working with customers to maximise its sales opportunities.
- Renshaw continues to win industry recognition, having been shortlisted in The Grocer, New Product Awards 2021, for its Luxury Bakers Caramel and Silver Shimmer Icing Kit.
- The Board remains focussed on reviewing all initiatives to continue to improve the capital structure of the Group; including the intention to delist the Group from AIM to save costs and provide greater agility and flexibility to maximise shareholder value.

* Underlying adjusted EBITDA (see note 5)

1 Kantar 52-week YOY to March 21st, 2021



Financial information presented relates to continuing operations.

The Group in Summary

Real Good Food now has one division, Cake Decoration, comprising two businesses, following the sale of Brighter Foods in May 2021.

The businesses

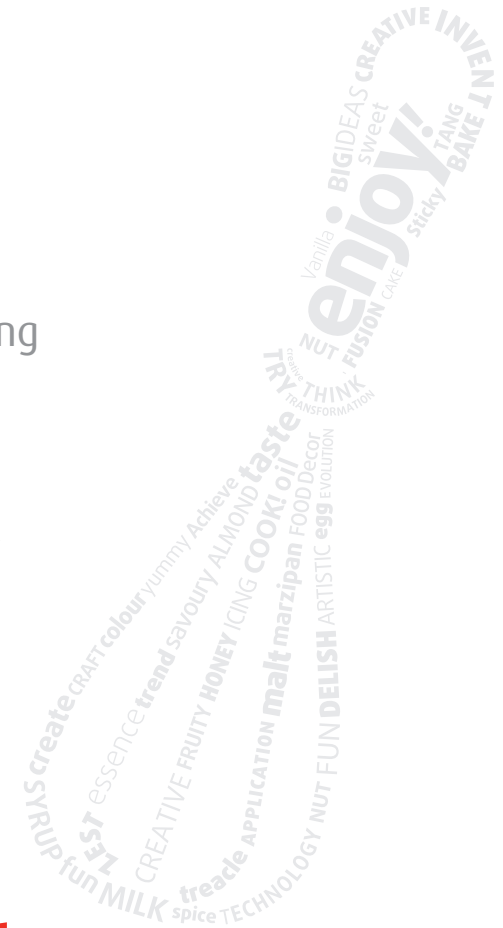
Cake Decoration, Renshaw and Rainbow Dust, has its own infrastructure and management teams. The business generally has the resources to operate as a stand-alone unit, but is able to call upon the centre as required.

Discontinued Operation

Food Ingredients is classed as a discontinued operation in the accounts for FY21 owing to the sale on 11 May 2021 of Brighter Foods Limited.

Head Office

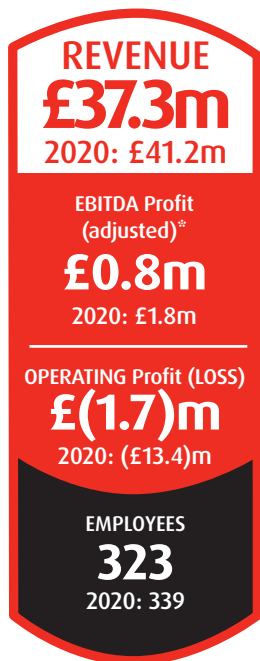
Central functions comprise only Finance, in addition to the plc Board.



Real Good Food



Cake Decoration



Read more on page 07

*See note 5 for reconciliation



Cake Decoration

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

Renshaw: Liverpool, 302 employees

Rainbow Dust Colours: Preston, 18 employees

Renshaw Europe: Europe, 2 employees

Renshaw Americas: New Jersey, 1 employee (now closed)



Food Ingredients (Discontinued operations)

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, 216 employees



Chairman's Statement

Overview

As for most companies, the year to 31 March 2021 was a period of unprecedented uncertainty and challenges due to covid-19 and Brexit. There were three national lockdowns and restrictions on public gatherings impacting revenues and productivity within both the Group's businesses. The priority for the Group during this period was to conserve cash and to keep employees safe and healthy, both physically and mentally. The Group's continuing businesses claimed £1.2m (continuing and discontinued businesses: £1.7m) under the Government's Job Retention Scheme and at its peak 254 employees (48% of staff) were on furlough. Despite these conditions, it is pleasing to be able to report that the Group has continued to progress and to restore shareholder value.

Our plan for the financial year was to accelerate operational changes made within Renshaw and to generate revenue growth from new products and better customer service delivery. Whilst not immediately apparent from our financial results, due to covid-19 and post Brexit disruption, the Group has continued to improve and is moving forward with further operational improvement initiatives within Renshaw and Rainbow Dust Colours. In particular, the management team is leveraging our heritage brand through new and exciting product innovation and customer service. New product launches have been made with Marks and Spencer, Tesco, Asda, Aldi and more recently with Lidl.

New product revenues from the launch of 66 new products, accounted for 7.6% (£1.6 million) of sales last year for Cake Decoration. Currently there are 413 new products in various stages of development. This is important given that the sugar paste market is in gradual decline and the demand for marzipan is not growing.

The plan for the year was also to leverage investments made during FY20 within Brighter Foods.

Shortly after year end, we sold Brighter Foods Limited to The Hut Group for £35.6million which valued the business at £43million. Given the high value of indebtedness of the Group, due to some poor acquisitions in the past, the current Board had been minded to dispose of Brighter Foods at the right value. The timing of the sale coincided with the end of the lock-in period of the Chief Executive Officer and Founder of Brighter Foods. At £43 million, the sale represented 8.6 times annualised FY20 EBITDA and 11.7 times (unaudited) FY21 EBITDA.

The sale enabled us to effectively halve the level of shareholder loans (from £45.6 million to £22.0 million) and to eliminate the pension scheme deficit (by the injection of £8.5 million into the scheme's assets).

Dividend

As with previous years, the Board is not recommending the payment of a dividend for the year. The focus is on reducing the level of debt and investing in Renshaw and Rainbow Dust Colours to deliver the best possible returns for shareholders.

Corporate Governance

The Group is governed through the Board and its Audit Committee and Remuneration Committee. The Board is very conscious of its related party connections and dealings. As appropriate, myself, Gail Lumsden (Senior Independent Non-Executive Director) and Maribeth Keeling (Chief Financial Officer) meet independently of the Board to discuss matters concerning Loan Note Holders and major Shareholders.

Strategy

The Group's strategy is set out in more detail later in the Strategic Review. But in summary, the aim is to maximise value for shareholders by leveraging productive capacity by growing revenue (through product innovation and new customers) and improving operational performance. The Group is open to divesting parts of the remaining and continuing businesses for the right value at the right time. The Group has a valued heritage and the strategy is to leverage this with new products and class leading service.

De-listing

As stated at the time of announcing the sale of Brighter Foods Limited on 22 April 2021, the Board has been considering all options to save costs and to return shareholder value. At the AGM, the Independent Directors, with the support of the rest of the Board, will be proposing that the Company cancels the listing of the Company's shares on AIM. This will save approximately £150,000 a year in costs and provide greater agility and flexibility to maximise shareholder value. The volume of shares traded is very small and an AIM listing adds a disproportionate expense and burden on the Company. The Company has arranged for a matched bargain facility to be in place by JP Jenkins.

Outlook

Since year-end, the Group has seen a pick-up in revenues across every sector. After five months of trading, revenues are 33% up on the same period last year and, more importantly, 1.3% ahead of the first five months of FY20. FY22 year-to-date EBITDA is a profit, trading ahead of FY21 EBITDA and FY20 EBITDA; this is particularly pleasing given the short-term challenges and increased costs of logistics due to driver shortages and limited availability of shipping containers.

Prospects for the remainder of the year are good and the Board is confident of reporting further progress. It's also encouraging to note that the business is being recognised for its innovation and quality of new products.

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

20 September 2021

Strategic Review

2020/21 performance

The report includes Cake Decoration as the continuing business.

Overall revenue from continuing businesses decreased from £41.2 million to £37.3 million, a decrease of £3.9 million (9.5%) within Cake Decoration. The business was impacted by covid-19 with overall revenues down in the first half of the year by 23% versus FY20 and recovering in the second half of the year by 3% versus FY20.

The majority of the revenue decline was in the Group's first quarter (which coincided with the first UK lockdown) and predominantly in the Wholesale and Manufacturing sectors which were down by £2.5m (-9%), International revenues were up year on year with Europe broadly in line, and the US with a year-on-year increase of £1.1m (+18%). The International sector also had challenges with its export logistics including the global shortage of containers and the impact of border controls owing to Brexit.

The UK came under pressure owing to the declining market for sugarpaste (-8.4%), however, UK Cake Decoration sales of sugarpaste outperformed the market by 2.4% in the year. Frostings revenues rose by 17% versus FY20, which is a growing market where Renshaw is developing and selling premium products.

Retail, despite covid-19, saw revenues increase by 7% year-on-year.

Brighter Foods business was sold in May 2021 for a consideration of £43m. Brighter Foods is included as a discontinued operation in the FY21 accounts. The decrease in revenues of 21.9% versus prior year within Brighter Foods reflects the impact of covid-19 and the closure of the 'food on the go' and health food market. Brighter Foods' largest customer had to close its doors in March 2021 in line with the government covid-19 guidance and had limited sales in the year.

Both businesses used the government job retention scheme claiming £1.7m in total (£1.2m in Cake Decoration). Food Ingredients maintained operating profit as a result of reduced operating costs. In Cake Decoration, underlying adjusted EBITDA decreased from £1.8 million in 2020 to £0.8 million in 2021, due to the covid-19 impact which reduced revenues, partly offset by the lower overhead costs and the furlough income of £1.2m.

The turnaround of the Cake Decoration business continued in FY21, with overhead restructuring being expedited during the year. Overheads are now significantly reduced: the business has restructured the engineering function to meet the demands of the business with maintenance being undertaken outside of production periods. Additionally, there are a number of initiatives ongoing within the Cake Decoration business to improve profitability. The Cake Decoration business has reviewed the overseas businesses improving the customer experience. In America, the warehouse was closed during the year and the customers are now serviced directly from the Liverpool site. Cake Decoration is working with a distributor in Europe for its smaller customers, thereby improving the customer experience. There are also a range of other options being evaluated to enhance returns from this business. One key opportunity for sales growth has been in new product development and customers: indeed

a review was undertaken of the current products leading to the delisting of c.110 and introducing c.66 new products to market, and a new blue-chip retailer was also secured. Cake Decoration will continue to evolve and look for opportunities to add value to the business. Importantly, the Cake Decoration infrastructure and operational facilities are able to deliver the sales growth and improved profitability that the Board believe achievable.

The Group's central resources are now limited to finance and the plc board. Opportunities are continually sought to reduce these further, consistent with good governance. The Group shareholder debt remains significant; the debt, however, was reduced by £23.6m following the sale of Brighter Foods, and the interest rates on the loans were reduced from 1 January 2021. The interest burden, almost all of which is rolled-up, will remain for the foreseeable future.

	31 March 2021 £'000s	31 March 2020 £'000s
Loss before taxation of continuing businesses	(6,108)	(23,060)
Depreciation of property, plant, and equipment	1,639	1,708
Impairment charge	-	12,909
Amortisation of intangibles	52	159
Significant items	(203)	1,022
Finance costs	4,665	5,445
Other finance costs	182	169
EBITDA (adjusted) Profit	227	(1,648)

Strategic Review (continued)

Capital structure

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

The Group has a total credit facility of £8.87 million with Leumi ABL Limited. The facilities comprise of a £5.45m revolving credit facility and a £1.3m term loan both on 60 months ending August 2024. There is also a £2.12m plant and machinery facility on 36 months ending August 2022. During the year, the business increased the credit facility by £2.0 million secured on the Brighter Foods' sales. On the disposal of Brighter Foods, this facility was cancelled.

The maximum draw down value during FY21 occurred in December 2020, being £2.3m (FY20 occurred in September 2019, being £2.0m). The lowest month in FY21 was July 2020, being £0.4m (in FY20 it 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 and the presence of bank debt, the Group was restricted to asset-backed finance held by J F Renshaw and its revolving credit facility. As at 31 March 2021 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

Given the impact of covid-19 on the FY21 results, the business has set budgets for FY22 based on FY20.

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. To date, the sales performance of the continuing business is in line 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 Group is working to ensure that both businesses have a strong sustainable base to capitalise on opportunities that may arise from the current environment. Brexit and covid-19 caused some uncertainties in FY21, however the expectation is that logistics of moving goods to Europe will ease during FY22.

After a particularly challenging year in the period to 31 March 2021, where employees and all stakeholders have experienced situations never seen before, the Board wishes to thank all the Group's and businesses' stakeholders for their understanding and continued support. Although covid-19 did impact FY21, the Group sales performance in quarter 4 FY21 was ahead of the pre covid-19 sales.

Group strategy

The Board's strategy is to have a profitable cash generative business. Cake Decoration has a new invigorated strategy for the business. The outturn from FY21 has shown a year-on-year increase in revenues for the fourth quarter and this has continued into FY22. The changes made by Cake Decoration in the last couple of years have provided the business with a platform to concentrate on what it is good at. The outsourcing of the warehousing and distribution to a third-party provider continues to result in improvements in customer service. The New Product Development (NPD) and Marketing teams continue to drive focus on innovation and sales growth, and secured a new blue chip customer and delisted c. 110 and brought to market c. 66 new products in the year.

Central resources are now limited to finance and general management.

Summary and Outlook

We believe we have the leadership, the senior management, and the resources capable of delivering a further uplift in performance in the Cake Decoration business, and a central cost base that is more fit for purpose. The Board continues to evaluate a range of options, to maximise shareholder returns.

The country came out of the lockdown period in July 2021, and the business was and continues to be positioned to take advantage of the sales opportunities in new sectors and new innovations with a refocussed sales and marketing team. The Board continues actions to generate and conserve cash. The Group remains focused on continuing to improve its performance, reduce net debt further 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 evident in the underlying business. The Board is confident in the future prospects of the Group.

Marketplace Review

The Group operated in two main divisions: Cake Decoration and Food Ingredients, in FY21. However Brighter Foods, the Food Ingredients business was sold in May 2021 and is classed as a discontinued operation in FY21 accounts. Our brief perspective on the major trends in the continuing business follows.



Cake Decoration

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

The home baking category is worth £1,136 million at RSP (Retail Selling Price). The category is in growth by 22%, with 94% of all households purchasing home baking in the last year. The baking category in which Cake Decoration trades is worth £587 million* at RSP (Retail Selling Price). The category is in growth by 23%, with 86% of all households having purchased home baking products in the last year*.

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 several million people tuned in to 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 are investing in bringing innovation to the market, leading new trends in the cake decorating sector and engaging the home

baker with new ideas through digital channels to educate and inspire new and experienced cake decorators of all levels. Cake Decoration are working with a well-known cake decorator on their own label range for Rainbow Dust Colours to be launched in FY22.

* 52 week ending Kantar data 21 March 2021

Divisional Business Review

Real Good Food

Cake Decoration

2020/21 Performance

FY20/21 was due to be a transitional year for the Cake Decoration division, with a significant restructure taking place in FY20 and the benefits expected to be seen in FY21. However, with three lockdown periods in the financial year, significantly impacting sales and EBITDA versus FY20. The FY21 result for Cake Decoration showed revenue progress in new product launches and a new blue-chip customer, however this was overshadowed by the shortfall in the wholesale and manufacturing sectors, both of which saw their customers having to close during the lockdown period. The second half of the year saw total revenues increase by 3% versus FY20. This is significant because even though the UK sugarpaste market declined by 8.4%², the UK sugarpaste revenues only declined by 6% and sales of sugarpaste in the second half of the year were up on the previous year by 12%. Renshaw's performance outperformed the underlying market decline. Retail despite covid-19 saw revenues increase by 7% year on year. The investment in the soft icing plant has resulted in year-on-year improved revenues of 17%, and this is expected to continue to grow in FY22 as frostings and other soft icing products are becoming increasingly popular due to their ease of use for the novice baker and decorator. Although still slightly behind, sales in the wholesale and manufacturing sectors had growing momentum in the final quarter. The International market is an important market for Cake Decoration; in FY20 we signed an exclusive agreement with the largest distributor of cake supplies in the US, Decopac, to help the Cake Decoration business grow market share in the US market. Despite covid-19, the revenues from Decopac increased by 25% year-on-year with further growth expected in FY22. Renshaw Europe recovered from the lockdown period with a good sales performance in the second half of the year. As part of the Cake Decoration strategy, Renshaw Europe appointed a distributor to service the smaller customers in Europe improving the customer service.

During the year, further changes have been made to the overhead structure to reduce costs and focus on customer service. Renshaw remains a strong brand in the sector.

Further work and efforts will continue throughout FY22 to refresh existing products, develop new products, bring new customers on board and streamline our sales and operational processes.

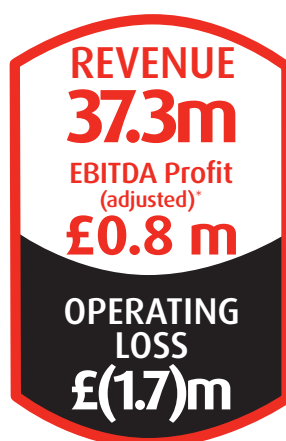
Forward plans

The business continues to pursue a growth strategy focused on increased supply of everyday convenience products under its own and customers' brands. The investment in the soft icings plant saw frostings grow year on year in FY21, and all indications including customer feedback suggest this is expected to continue in FY22. Export growth continues to be focused on North America where the company has identified the greatest potential to grow sales. Following the successful closure of the US based warehouse in FY21, with sales now being shipped directly from the factory in Liverpool

to the US, this has streamlined the process and improved customer service. The business continues to implement operational changes including the restructure of the engineering function to carry out planned maintenance outside of production hours and improvements to the factory planning system. These changes 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 remained open during the lockdown period. Our priority is the safety of our staff whilst supplying our customers with the quality product. All required changes to meet covid-19 requirements have been carried out at the sites. Going forward the expectation is that there will be no further lockdown periods and no covid-19 restrictions such as social distancing, that impacted the financial performance of the Group in FY21.



	2021 £'m	2020 £'m
12 months to March		
Revenue	37.3	41.2
EBITDA (adjusted)*	0.8	1.8
Impairment charge	-	(12.6)
Operating (loss)	(1.7)	(13.4)
Operating (loss)%	(4.6%)	(32.5%)

* See note 5 for reconciliation

² Kantar 52-week YOY to March 21st, 2021

Real Good Food

Food Ingredients

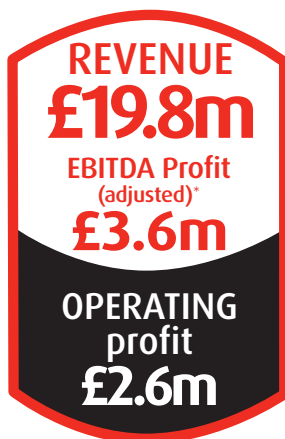
2020/21 Performance

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, and even before recent expansion was 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 is classed as a discontinued operation in the FY21 accounts owing to the sale to The Hut Group plc in May 2021.

Forward plans

Brighter Foods was sold to The Hut Group (THG) on 11 May 2021 for a consideration of £43m.



12 months to March	2021 £'m	2020 £'m
Revenue	19.8	25.3
EBITDA (adjusted)*	3.6	5.0
Operating profit	2.6	2.9
Operating profit %	13.1%	11.5%

*See note 5 for reconciliation

Finance Review

Revenue

Group revenue of the continuing businesses for the 12 months ending 31 March 2021 is £37.3 million (2020: £41.2 million), a decrease of 9.5% on revenue to 31 March 2021. Cake Decoration sales were impacted by covid-19, particularly in quarter 1, the initial lockdown period. Wholesale and manufacturing sectors were most affected with many of their customers having to close their operations. The sales recovered in the second half of the year with revenues ahead of H2 FY20 by 2.5%, retail revenues were 7% ahead of the previous year and the Wholesale and Manufacturing sectors gained momentum in the fourth quarter, although both sectors revenues were down on the prior year.

Profit measure on operations

Gross profit on the continuing businesses for the overall Group was £15.2 million (2020: £17.6 million). At 40.7%, the gross profit in the year, was adverse to the prior year by 2%, owing to the sales mix and the effect of covid-19 including the costs associated with social distancing in the factory. Delivered margin is defined as gross profit less costs of delivery.

The operating loss in the year of £1.3 million is reported after depreciation and amortisation charges of £1.7m, significant items benefit of £0.2m and a furlough payment received of £1.2m. The benefit in the significant costs arises from the revaluation of the Brighter Foods put option of £1.3m; the other significant costs are £1.1m which relate to the restructuring in the Cake Decoration business.

The adjusted EBITDA of the underlying continuing business is £0.2m.

The items adjusted for are:

Significant Items:	£(1.1)m
Revaluation of Brighter Put Option	£1.3m
Total	£0.2m

The significant costs incurred relate to the restructuring costs in the Cake Decoration business and head office costs, and are for redundancy costs, project costs and closure costs associated with the warehouse in the US. In Head Office, the costs are for legal and financial costs associated with the disposal of Brighter Foods and benefit from a significant reduction in the provision for the minority shareholders' put option. The number of indirect employees reduced year on year by 17 across the business.

There has been no requirement for an impairment charge on goodwill or fixed assets in FY21. The Board, having considered the trading forecasts, have reasonable expectations that the recoverable amount would support the value in the accounts.

After finance costs of £4.8 million, this resulted in a loss before tax for the year of £6.1 million (2020: loss of £23.1 million) for continuing businesses. This equates to a basic loss per share of 6.50 pence on continuing operations (loss of 22.14 pence in 2020), (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 and European lockdown in March 2021. The business modelling included looking at varying levels of revenues and the effect of movements on cash planning to ensure appropriate action was taken if required.

As part of the cash planning, the Group increased the revolving credit facility by £2m, to include Brighter Foods. This additional facility was completed in August 2020, and following the disposal of Brighter Foods in May 2021, the additional facility was removed.

The Group used the Government job retention scheme (£1.2m in Cake Decoration), and deferred PAYE payments (£0.6m) to conserve cash during the lockdown period. Repayments of the PAYE have been made in line with the government 'time to pay' plan.

The net debt at the end of FY21 stood at £48.8m versus £45.4m in FY20. This is predominantly shareholder loans of which £15.2m is in the form of convertible loan notes.

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

12 months to March	2021 £'000s	2020 £'000s
Revenue	37,292	41,243
Gross profit	15,164	17,628
Delivered margin	11,549	14,633
Delivered margin %	31.0%	35.5%
Underlying EBITDA (adjusted)*	227	(1,648)
Operating (loss) before impairment and significant items	(1,464)	(3,515)
Operating loss after impairment and significant items	(1,261)	(17,446)
Operating loss %	(3.4%)	(42.3%)
Loss before tax	(6,108)	(23,060)

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. The forecasts, agreed with the business consider reasonable possible changes in trading performance.

The forecast for FY22 for the continuing businesses, is based on the national lockdown restrictions being removed in July 2021. Some of the sectors we serve have experienced growth during the covid-19 pandemic, namely retail and international. The sectors most affected by the pandemic owing to their customers having to close their own businesses are wholesale and manufacturing, these sectors are now returning to pre covid sales. The new customers and product launches during FY21 will have a full year impact in FY22. The overhead savings and operational efficiencies made in FY21 will have a full year impact in FY22.

The Board consider the forecasts to be reasonable and these assumptions have been projected.

The Board reviewed the sensitivity of the sales and have modelled the effects of these.

The Directors considered the following scenarios:

Scenario 1:

Reduction in revenue of 5% all year; and

Scenario 2:

Reduction in revenue of 5% and the gross margin reduced by 10% all year.

In Scenario 1 without any mitigating action the Group will not run out of cash and will have sufficient liquidity headroom with the low point for cash being September 2022 when cash would reduce to £2.1million as a result of the stock build for quarter 3, (October to December).

In Scenario 2 without any mitigating action the Group would run out of cash in May 2022, some 14 months from the monthly reduction in revenue and gross margin from the start of FY22. If there was a reduction in gross margin of 10%, this would be as a result of commodity price increases that would be passed onto customers. The mitigating action would be taken quickly and would result in a price increase to customers, with a time lag factored in as negotiations took place with customers. A prudent approach of a 75% recovery in FY22 would result in the business not running out of cash with the low point for cash being September 2022 when cash would be £1.3million, owing to the stock build.

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

- Cessation of non-essential spend
- Review of overhead costs

The banking covenants that are in place for FY22 have been amended taking into account the seasonality of the Cake Decoration business.

The covenants for FY22 are EBITDA being within 75% of the forecast and greater than £5 million tangible net worth. These covenants are not breached on the stressed scenarios referred to above.

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 19 May 2022 to 19 May 2023.

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.

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 2021 of £7.5 million (2020: £7.9 million). The Plan assets increased by £0.8 million to £14.5 million (2020: £13.7 million) and the Plan liabilities are £21.9 million compared to £20.8 million at 31 March 2020. Following the sale of Brighter Foods on the 11 May 2021, a payment of £8.5 million was made to the Napier Brown Retirement Plan eliminating the current pension scheme deficit liability.

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 2021 (2020: 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													
<p>REVENUE GROWTH Revenue is calculated for continuing business and is from external sources only.</p> <table border="1"> <tr> <th>Year</th> <th>Revenue (£m)</th> </tr> <tr> <td>2021</td> <td>£37.3m</td> </tr> <tr> <td>2020</td> <td>£41.2m</td> </tr> <tr> <td>2019</td> <td>£46.4m</td> </tr> <tr> <td>2018</td> <td>£47.7m</td> </tr> </table>	Year	Revenue (£m)	2021	£37.3m	2020	£41.2m	2019	£46.4m	2018	£47.7m	<p>Revenue in the year decreased by 9.5% (FY20 decreased by 11.2%) This was primarily driven by covid-19 and the underlying decline in the sugarpaste market. Cake Decoration outperformed the sugarpaste market. The sustainable quality of the revenue is regarded as important.</p>			
Year	Revenue (£m)													
2021	£37.3m													
2020	£41.2m													
2019	£46.4m													
2018	£47.7m													
<p>EBITDA (ADJUSTED) ON CONTINUING ACTIVITIES EBITDA (adjusted) is defined as earnings before significant items, interest, tax, depreciation, amortisation, and impairment charges.</p> <table border="1"> <tr> <th>Year</th> <th>EBITDA (£m)</th> </tr> <tr> <td>2021</td> <td>£0.2m</td> </tr> <tr> <td>2020</td> <td>£(1.6)m</td> </tr> <tr> <td>2019</td> <td>£(0.9)m</td> </tr> <tr> <td>2018</td> <td>£(4.0)m</td> </tr> </table>	Year	EBITDA (£m)	2021	£0.2m	2020	£(1.6)m	2019	£(0.9)m	2018	£(4.0)m	<p>The EBITDA (adjusted) profit was £0.2 million as against a loss in the prior year of £1.6 million.</p> <p>EBITDA measurement is to evidence improvement in line with the increase in revenue and/or reduced costs.</p>			
Year	EBITDA (£m)													
2021	£0.2m													
2020	£(1.6)m													
2019	£(0.9)m													
2018	£(4.0)m													
<p>NET DEBT Net debt is the total Group borrowings less cash at bank.</p> <table border="1"> <tr> <th>Year</th> <th>Net Debt (£m)</th> </tr> <tr> <td>2021</td> <td>£48.8m</td> </tr> <tr> <td>2020</td> <td>£45.4m</td> </tr> <tr> <td>2019</td> <td>£35.7m</td> </tr> <tr> <td>2018</td> <td>£37.8m</td> </tr> </table>	Year	Net Debt (£m)	2021	£48.8m	2020	£45.4m	2019	£35.7m	2018	£37.8m	<p>Net debt in the year has increased to £48.8 million (FY20 £45.4m); net debt is predominantly shareholder loans. Following the sale of Brighter Foods shareholder loans were reduced by £23.6m to £22.0m</p>			
Year	Net Debt (£m)													
2021	£48.8m													
2020	£45.4m													
2019	£35.7m													
2018	£37.8m													
<p>DEBT COVER Debt cover is calculated by dividing total net debt by continuing EBITDA (adjusted).</p> <table border="1"> <tr> <th>Year</th> <th>Debt Cover</th> </tr> <tr> <td>2021</td> <td>214.98</td> </tr> <tr> <td>2020</td> <td>(27.38)</td> </tr> <tr> <td>2019</td> <td>(37.82)</td> </tr> <tr> <td>2018</td> <td>(9.48)</td> </tr> </table>	Year	Debt Cover	2021	214.98	2020	(27.38)	2019	(37.82)	2018	(9.48)	<p>As a result of increased EBITDA (adjusted) profits in the year net debt cover stood at 214.98 at the end of FY21 and 85.67 following the sale of Brighter Foods. Covid-19 had a significant impact on EBITDA The Group measures the changes on debt cover year on year.</p>			
Year	Debt Cover													
2021	214.98													
2020	(27.38)													
2019	(37.82)													
2018	(9.48)													
<p>ACCIDENT FREQUENCY RATE The accident frequency rate is the number of RIDDOR accidents per 100,000 hours worked.</p> <table border="1"> <tr> <th>Year</th> <th>Accident Frequency Rate</th> </tr> <tr> <td>2021</td> <td>1.16</td> </tr> <tr> <td>2020</td> <td>1.00</td> </tr> <tr> <td>2019</td> <td>1.00</td> </tr> <tr> <td>2018</td> <td>1.74</td> </tr> </table>	Year	Accident Frequency Rate	2021	1.16	2020	1.00	2019	1.00	2018	1.74	<p>A higher number denotes a higher risk. The number of RIDDOR accidents in FY21 was 5, on par with FY20. The target for RIDDOR accidents is nil. This has not been achieved; however, the Group continues to invest in training to further reduce accidents and will continue to support the businesses to achieve the target.</p>			
Year	Accident Frequency Rate													
2021	1.16													
2020	1.00													
2019	1.00													
2018	1.74													

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. Embracing its corporate social responsibility to its stakeholders and within its communities is therefore an important part of building long term sustainable businesses in the Group.

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

The Responsible Business Framework in place 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.

During the year it has been more difficult to engage with the community owing to covid-19 and employees having to work from home. However, J F Renshaw and Rainbow Dust donated £1,250 to the local foodbanks in Preston and Liverpool.

As a small recognition of the work carried out by the NHS, Cake Decoration made cup-cakes for the NHS workers at the Liverpool Women's Hospital.

Health and safety

Commentary 2020/21

The Board reviews the Health & Safety reports of both businesses 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.

- Renshaw has a full-time Health & Safety Manager. There has been a reduction in the number of accidents and incidents during the year reflecting the ongoing training and improved processes taking place in the business.

2021/22 Priorities

- We continue to maintain and improve our legal compliance and health and safety performance. An appropriate periodic audit process is being implemented to help ensure improving standards in this important area.
- Targeting a further year on year reduction in the number of incidents.
- Continue to work and support the local communities.

Risk Management

The risks facing the Group 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, and over the past year has continued to implement improvements in the Group's governance. 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.

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 as a result of 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. Following Brexit, there has been a period of uncertainty with logistics and the transportation of goods through customs, this has started to settle down as the customs officials become more acquainted with the documentation. 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. Following the disposal of Brighter Foods, the Group agreed a one-off payment with the pension trustee of £8.5 million, effectively settling the current deficit and having c£1.5m on account. The pension fund is undergoing the 3-year valuation and a new payment plan will be agreed in due course taking account of the £1.5m. 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 20 September 2021 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 appointed 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.

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.

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.

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.

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.

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 commercial 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.

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 March 2021. Owing to covid-19 there have been restrictions on meetings and this impacted the AGM held in January 21 and the general meeting held in May 21.

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 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.

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.	<p>The objective and strategy of the Group is 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.</p> <p>The execution of the strategy is to support and guide the Cake Decoration business in their daily operation by clear objectives and articulated strategies, such strategies being updated as necessary on a regular basis.</p>
2. Seek to understand and meet shareholder needs and expectations.	<p>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.</p> <p>Contact details of Executive Directors are made available to other shareholders who wish to make contact. This is actively encouraged.</p> <p>The Board receives share register analysis reports to monitor the shareholder base and identify the types of investors on the register.</p> <p>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. The Chairman also did a separate presentation and question and answer session during the year for the benefit of shareholders.</p>
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.	<p>The Group regards its shareholders, employees, customers, suppliers, and advisors as all being important parts of the wider stakeholder group.</p> <p>Management regard our employees as our greatest asset, engaging with them on a regular basis as referred to in the directors' report.</p> <p>Management clearly places particular importance on its day-to-day relationships with customers, with significant effort directed to ensuring these are managed appropriately. The businesses 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.</p> <p>Shareholders are important to the business and continue to support the businesses and the strategy in place.</p> <p>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. There is a feedback system in place for service levels and issues raised can be addressed.</p>

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 businesses, 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.	<p>Following further changes to the Board since the year end, the Board, chaired by Mike Holt, currently comprises two Executive and four Non-Executive Directors. As executive 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.</p> <p>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.</p> <p>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. During the year, there were 29 Board meetings held primarily due to the sale of Brighter Foods.</p>
6. Ensure that between them the Directors have all the appropriate experience, skills, and capabilities.	<p>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.</p> <p>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.</p>
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	<p>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.</p> <p>The Board has opted for annual reselection at the AGM. The Board is planning to undertake a formal assessment in quarter 3 of 2022. Owing to challenges with covid-19, there has not been the opportunity to arrange this, once covid restrictions are lifted, this will be put in place.</p>
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.	<p>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.</p> <p>The roles of the Audit Committee, the Remuneration Committee and the Board of Directors are clearly defined within this report.</p>
10. Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	<p>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.</p> <p>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.</p>

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 2020 to 31 March 2021 are set out below.

Significant Events/decisions	Stakeholders Affected	Considerations
Extension of shareholder loans (December 2020)	Employees Shareholders Minority shareholders	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> The company was unable to take advantage of CLBILs due to its leveraged position. The Board have renegotiated the terms of the loan notes, with a reduction in interest rates from 1 January 2021. In total, the Group has claimed £1.2m, for the continuing business, under the Government's job retention scheme in order to preserve jobs and protect the communities in which our factories are situated.
Disposal of Brighter Foods	Shareholders Employees	<ul style="list-style-type: none"> The Board undertook a process to review the Group businesses. An offer was received for Brighter Foods of £43m, debt free/cash free, this equated to an 8.6 multiple of FY20 EBITDA and 11.7 multiple of (unaudited) EBITDA for FY21. The Board recommended this offer to the shareholders and it was subsequently approved at the general meeting on the 10 May 2021. This enabled the Board to reduce the shareholder loans by £23.6m and make a payment to the pension fund of £8.5m.
Board interaction with businesses (April 2020)	Shareholders Employees	<ul style="list-style-type: none"> The Board meetings are held once a month and the MD of the Cake Decoration Division presents the business and discusses both strategic and operational matters. This has strengthened the communication between the Board and the business unit and the quality and timeliness of decision making. The Board had planned to visit 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	Shareholders Minority shareholders	<ul style="list-style-type: none"> 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 principal minority shareholders. The quality, frequency and relevance of investor communications is improving.
Cake Decorations Restructure	Employees Shareholders Customers Communities	<ul style="list-style-type: none"> Cake Decorations expediated the planned overhead restructure during the year to reduce costs. Factory operational changes have started with the engineers carrying out the majority of planned preventative maintenance work in the evenings or at weekends to reduce the downtime of the lines. Investment in New Product Development (NPD) has continued with 66 skus launched during the year and c.110 delisted. Sales and Marketing teams are putting the customer at the forefront of what we do by actively engaging in long term partnerships evidenced by securing a new blue-chip customer through the innovation of new products, which meet their needs and objectives.
Board Changes	Minority shareholders Employees Shareholders	<ul style="list-style-type: none"> Chairman appointed as the part-time executive Chairman 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 directors are not party to these meetings or minutes thereof.
Environmental and sustainability	Customers Employees	<ul style="list-style-type: none"> Working with supply chain partners to have more recyclable packaging. Owing to covid-19 restrictions this activity was curtailed in FY21, but will recommence in FY22. Continue working with suppliers to source and use ethical products, such as palm oil. The palm oil used by the business is sustainable 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 accounting standards 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.

Board Meetings

There has been a substantial increase in the number of Board meetings in the year, the main reason for the increase is the meetings required to consider the disposal of Brighter Foods.

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.

The forecast for FY22 for the continuing businesses, is based on the national lockdowns being removed in July 2021. Some of the sectors we serve have experienced growth during the covid-19 pandemic, namely retail and international. The wholesale and manufacturing sectors most affected by the pandemic owing to their customers having to close have returned to pre covid sales. The new customers and product launches during FY21 will have a full year impact in FY22. Overhead savings and operational efficiencies are also included in the forecast.

The Board consider the forecasts to be reasonable and these assumptions have been projected and shared with the Group's auditors.

The Board reviewed the sensitivity of the sales and have modelled the effects of these.

The Directors considered the following scenarios:

Scenario 1: Reduction in revenue of 5% all year and

Scenario 2: Reduction in revenue of 5% and the gross margin reduced by 10% all year

In Scenario 1 without any mitigating action the Group does not run out of cash and has sufficient liquidity headroom post March 2023 with the low point for cash being September 2022 when cash would reduce to £2.1million as a result of the stock build for quarter 3, (October to December).

In Scenario 2 without any mitigating action the Group would run out of cash in May 2022, some 14 months from the monthly reduction in revenue and gross margin from the start of FY22. If there was a reduction in gross margin of 10%, this would be as a result of commodity price increases that would be passed onto customers. The mitigating action would be taken quickly and would result in a price increase to customers, with a time lag factored in as negotiation took place with customers. A prudent approach of a 75% recovery in FY22 would result in the business not running out of cash with the low point for cash being September 2022 when cash would be £1.3million, owing to the stock build.

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

- Cessation of non-essential spend
- Review of overhead costs

The banking covenants that are in place for FY22 have been amended taking into account the seasonality of the Cake Decoration business.

The covenants for FY22 are plus or minus 20% of the forecast EBITDA and greater than £5 million tangible net worth. These covenants are not breached on the stressed scenarios referred to above.

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 19 May 2022 to 19 May 2023.

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.

Report of the Directors (continued)

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, Mike Holt Non-Executive Chairman of the Company agreed to become the Executive Chairman of the Group. Details of the Directors are given on page 15.

Substantial interests

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

31 March 2021	% Holding in ordinary share capital
NB Ingredients Limited	22.3%
Omnican International Investors Limited	20.8%
Downing LLP	7.9%
Mr J & Mrs S O'Driscoll	5.9%

Directors' indemnities

The Company has paid £95.0k (2020: £32.1k) 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. Meeting up during FY21 has been more difficult owing to covid-19 and the requirement to work from home, however regular briefings have been carried out using virtual meetings. The majority of the Board meetings in FY21 have been virtual meetings, however the meetings have continued in the same format with the MDs attending and the messages from the Board taken back to the businesses. 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 have been unable to hold 'Town Halls' owing to covid-19, however the virtual team briefs have continued and all staff are encouraged to raise questions and feedback.

Covid-19 has been a challenge, with uncertainty and three lockdowns in the year. 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 working from home and full risk assessments have been completed in terms of social distancing at our manufacturing sites. There is a covid-19 working party, made up of employees across all areas and levels within the business, the meetings were weekly during the height of the pandemic. In July 2021, legal restrictions were lifted relating to covid-19. The Board, however, continue to meet on a bi-weekly basis to review government updates and any changes required to current working practices.

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.

The government, owing to covid-19, deferred the gender pay reporting until October 2021. The Group continues through our Leadership Framework 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) was introduced by the government on 1 April 2019. The table below shows the information for RGF plc from the 1st of April 2020 to 31 March 2021.

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.

The assumptions made are:

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.

Report of the Directors (continued)

Streamlined Energy and Carbon Reporting (continued)

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 – 5,984,990 kWh LPG – 26.95 kWh Petrol company cars – n/a Diesel company cars – n/a Electricity – 9,217,506 kWh Petrol private cars – n/a Diesel private cars – n/a Total - 15,202,523 kWh
Emissions from combustion of gas tCO ₂ e (Scope 1)	1,100.5 tCO ₂ e
Emissions from LPG (Scope 1)	6.2 tCO ₂ e
Emissions from business travel in company owned vehicles (Scope 1)	N/A
Emissions from purchased electricity (Scope 2, location-based)	2,149 tCO ₂ e
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	N/A
Total gross CO ₂ e based on above	3,256 tCO ₂ e
Intensity ratio: tCO ₂ e gross figure based on mandatory fields above/e.g. £100,000 revenue (taken from 5 Results)	Tonnes of output produced 0.17 tCO ₂ e 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. No longer the use of company cars.

Charitable and political donations

During the current financial period, the Group made charitable donations of £1,250 (2020: £3,160). No political donations were made during the current or previous financial period.

This report was approved by the Board on 20 September 2021 and is signed on its behalf by:

Mike Holt
Executive Chairman

Director	Eligible to attend	Meetings attended
Mike Holt	29	29
Maribeth Keeling	29	28
Jacques d'Unienville	29	28
Judith MacKenzie	29	29
Anthony Ridgwell	29	28
Gail Lumsden	29	29

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

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 Chairperson 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 four 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 4 meetings in the year, the following table sets out attendance during the year.

Director	Meetings attended
Members	
Judith MacKenzie	4
Gail Lumsden	4
By Invitation	
Mike Holt	4
Maribeth Keeling	4

Audit Committee Report (continued)

Description of Risk	Overview of Risk	Company response
Asset Impairment	<p>The Group now has £32.7 million of goodwill, relating to excess of consideration paid to the fair value of acquisitions, and £8.6 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.</p> <p>The value of property, plant and equipment and intangible assets are stated at cost less accumulated depreciation or amortisation and impairment losses.</p>	<p>Cash flow projections 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 Cake Decoration. A sensitivity analysis was also applied to stress test the assumptions and future economic value of assets. These resulted in no impairment required. 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 the carrying values are appropriate.</p>
Going Concern	<p>Given the losses incurred by the Group, and its level of indebtedness, the assumption of going concern has been subject to challenge.</p>	<p>The Board has critically reviewed the planned future performance of the Group and its cash flows and funding. Following the sale of Brighter Food, the reduction in the Net debt, the reduction in the interest rates for the loan notes, 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.</p>
Risk Register	<p>The Group is encouraged to identify business risks. The CFO presents the Risk Register to the Board on a quarterly basis.</p>	<p>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 had weekly update calls to monitor the impact on the business; the Board meets outside of the planned monthly Board meetings as required.</p>
Senior Managers	<p>The MD is invited to each Board meeting to present on their division.</p>	<p>The Board have the opportunity to talk directly with the MD of the division on a monthly basis and understand the business behind the numbers.</p> <p>The Board also plan to visit the Liverpool site in FY22 where they will be able to meet the Leadership team for the business and hold a meeting with them, this was not possible in FY21 owing to covid-19.</p>
Auditors	<p>Audit Rotation.</p>	<p>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).</p> <p>The Commitment and Authorities schedule within the business is reviewed annually by the Group Board.</p>
Stock count at Brighter Foods for year ended 31 March 2020	<p>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.</p>	<p>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. For the year ended 31 March 2021, the auditors attended the counts at Brighter Foods. Brighter Foods has been classified as a discontinued operation and the value of the stock is shown in assets held for sale.</p>
Disclosure of Related Party Transactions	<p>To ensure that related party transactions are transparent and approved.</p>	<p>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.</p>

Remuneration Committee Report

The Remuneration Committee comprises Gail Lumsden, as Chair, Judith MacKenzie and Anthony Ridgwell.

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.

The table below shows the FY21 attendance:

Director	Meetings attended
Members	
Gail Lumsden	2
Anthony Ridgwell	2
Judith Mackenzie	2

Independent Auditor's Report

to the members of Real Good Food plc

Qualified Opinion on the financial statements

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 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and 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.

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 2021 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 their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions 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 previous year ended 31 March 2020 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 the company and third party premises, specifically as a result of Covid-19. We were unable to satisfy ourselves by alternative means concerning the inventory balance of £2,574,000 held by that component and included in the consolidated statement of financial position as at 31 March 2020.

We were therefore unable to determine whether any adjustment to that 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 for the year ended 31 March 2021. Any adjustment to the inventory balance at 31 March 2020 would also have an impact on the comparative figure shown in the consolidated statement of comprehensive income for profit from discontinued operations and on the comparative consolidated cash flow statement for the period then ended. In addition, were any adjustment to the inventory balance at 31 March 2020 to be required, the strategic report would also need to be amended.

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We remain 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Going concern was considered a key audit matter. See also the disclosures in Notes 2 and 3.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting and our response to the key audit matter included:

- Obtaining and examining management's business plan for at least the next 12 months, which is also used as a basis for the discounted cash flow model in the impairment assessment of goodwill and other non-current assets. These forecasts were based on the continuing operations of the group, following the disposal of Brighter Foods Limited post year end. 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 for at least the next 12 months, 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 2022 have now been extended to May 2023; and
- We reviewed the wording of the going concern disclosures, and assessed its consistency with management's forecasts.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview

Coverage of areas subject to a full scope audit	89% (2020: 78%) of total group revenue												
	90% (2020: 94%) of group net assets												
Key audit matters	<table border="1"> <thead> <tr> <th></th> <th>2021</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>Going Concern</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Asset Impairment</td> <td>✓</td> <td>✓</td> </tr> <tr> <td>Pension Scheme Assumptions</td> <td>–</td> <td>✓</td> </tr> </tbody> </table> <p>Pension Scheme Assumptions are no longer considered to be a key audit matter because the suitability of these assumptions is no longer considered one of the most significant assessed risks of material misstatement.</p>		2021	2020	Going Concern	✓	✓	Asset Impairment	✓	✓	Pension Scheme Assumptions	–	✓
	2021	2020											
Going Concern	✓	✓											
Asset Impairment	✓	✓											
Pension Scheme Assumptions	–	✓											
Materiality	<p>Group financial statements as a whole</p> <p>£428,000 (2020: £486,000) based on 0.75% of total revenue including discontinued operations (2020: 0.75% of total revenue)</p>												

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

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 (2020: three) 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.

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.

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
<p>Asset impairment</p> <p>Given the loss incurred during the year, there were indicators of impairment of the group's non-current assets.</p> <p>This relates to goodwill, investments and tangible fixed asset balances. Management's assessment showed that no impairment was required. This impairment review is also considered in Note 2 (significant accounting policies) and Note 3 (critical accounting estimates and judgements). Management's impairment review focussed on the Cake Decoration operating segment, given that Brighter Foods Limited (the Food Ingredients operating segment) was disposed of for a profit shortly after the year end.</p> <p>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.</p>	<p>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 in relation to the Cake Decoration operating segment:</p> <ul style="list-style-type: none"> ○ 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, and reviewed the components of the cash flow forecasts. ○ We challenged management on their cash flow forecasts and the growth rates for 2021/22 and beyond by considering evidence available to support these assumptions including sales plans and cost forecasts, their consistency with findings from other areas of our audit and analysis against forecasting and results in previous periods, 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. <p>Key observations</p> <p>Based on the audit procedures above we considered management's judgements in relation to the impairment of assets to be appropriate.</p>

Independent Auditor's Report (continued)

to the members of Real Good Food plc

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

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

	Group financial statements		Parent company financial statements	
	2021	2020	2021	2020
Materiality	£428,000	£486,000	£79,600	£57,700
Basis for determining materiality	0.75% of total revenue, including discontinued operations	0.75% of total revenue	2% of net assets excluding intercompany balances	2% of net assets excluding intercompany balances
Rationale for the benchmark applied	We consider that using this basis for determining materiality is most appropriate as this provides a consistent year on year basis for determining materiality based on the underlying trading performance of the Group.		We consider this basis is most appropriate for a holding company.	
Performance materiality	£299,000	£315,000	£55,700	£37,500
Basis for determining performance materiality	The performance materiality threshold was chosen as 70% to reflect some areas subject to estimation uncertainty. This has been increased from 65% in the prior year given there have been few changes to the key areas of the financial statements in the current year.			

Component materiality

We set materiality for each component of the Group based on a percentage of between 19% and 90% of Group materiality dependent on the size and our assessment of the risk of material misstatement of that component. Component materiality ranged from £79,600 to £385,000. In the audit of each component, we further applied performance materiality levels of 70% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £17,000 (2020: £19,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 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. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 inventory quantities of £2,574,000 held at the prior year ended 31 March 2020 by Brighter Foods Limited. We have concluded that where the other information refers to the inventory balance or related balances such as cost of sales or profit for the year relating to discontinued operations, it may be materially misstated for the same reason.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report

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.

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 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.

Matters on which we are required to report by exception

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

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

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

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, 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.

Independent Auditor's Report (continued)

to the members of Real Good Food plc

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Based on our understanding of the laws and regulations applicable to the Group and accumulated knowledge of the Group and the sectors in which it operates we considered the risk of acts by the Group which were contrary to applicable laws and regulations, including fraud and whether such actions or non-compliance might have a material effect on the financial statements. These included but were not limited to those that relate to the form and content of the financial statements, such as the Group accounting policies, international accounting standards, the UK Companies Act 2006 and the AIM Rules; and industry related such as compliance with health and safety legislation, employment law and taxation legislation. All team members were briefed, including component audit teams, to ensure they were aware of any relevant regulations in relation to their work. We obtained an understanding of the control environment in monitoring compliance with laws and regulations, enquired with management regarding matters pertaining to laws and regulations during the year, and reviewed any relevant correspondence arising to ensure these had been considered appropriately.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries, revenue cut off around the year end and management bias in accounting estimates. Our audit procedures included, but were not limited to:

- Agreement of the financial statement disclosures to underlying supporting documentation;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the Group's defined benefit pension scheme and impairment of goodwill to identify any potential bias;
- Detailed testing of a sample of items for revenue cut off around the year end for all significant components to ensure they were accounted for in the correct period;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations or including specific keywords to identify potential irregularities;
- Discussions with management and those charged with governance, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud; and
- Review of minutes of Board meetings throughout the period, to identify any inconsistencies with our audit work or matters of which we needed to be aware.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

Gary Harding (Senior Statutory Auditor)

For and on behalf of BDO LLP
Statutory Auditor
Manchester, United Kingdom
20 September 2021

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

Consolidated Statement of Comprehensive Income

Year ended 31 March 2021

	Notes	12 months ended 31 March 2021 £'000s	12 months ended 31 March 2020 (restated*) £'000s
Revenue	4, 5	37,292	41,243
Cost of sales		(22,128)	(23,615)
Gross profit		15,164	17,628
Income from Government Furlough Scheme		1,205	–
Other operating income		48	10
Distribution expenses		(3,615)	(2,995)
Administrative expenses		(14,266)	(18,158)
Operating loss before impairment and significant items		(1,464)	(3,515)
Impairment charge on goodwill	16	–	(12,622)
Impairment charge on tangible fixed assets	18	–	(287)
Significant items	6	203	(1,022)
Operating loss after impairment and significant costs	8	(1,261)	(17,446)
Finance costs	9	(4,665)	(5,445)
Other finance costs	10	(182)	(169)
Loss before tax		(6,108)	(23,060)
Income tax credit	14	27	1,692
Loss from continuing operations		(6,081)	(21,368)
Profit from discontinued operations (assets held for sale)		2,617	2,913
Net loss		(3,464)	(18,455)
Attributable to:			
Owners of the parent		(3,856)	(19,121)
Non-controlling interests		392	666
Net loss		(3,464)	(18,455)
Items that will or may be reclassified to profit or loss			
Foreign exchange differences on translation of subsidiaries		65	(106)
Items that will not be reclassified to profit or loss			
Actuarial losses on defined benefit plan	32	(107)	(1,097)
Tax relating to items which will not be reclassified	20	(102)	215
Other comprehensive loss		(144)	(988)
Total comprehensive loss for the year		(3,608)	(19,443)
Attributable to:			
Owners of the parent		(4,000)	(20,109)
Non-controlling interests		392	666
Total comprehensive loss for the year		(3,608)	(19,443)

*The result for the year ended 31 March 2020 has been restated to reflect the change in continuing and discontinued operations.

	Notes	12 months ended 31 March 2021 £'000s	12 months ended 31 March 2020 (restated*) £'000s
Basic and diluted loss per share – continuing operations	15	(6.50)p	(22.14)p
Basic earnings per share – discontinued operations	15	2.63p	2.92p
Diluted earnings per share – discontinued operations	15	0.82p	0.96p

The notes on pages 38 to 76 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 March 2021

	Issued Share Capital £'000s	Share Premium Account £'000s	Other Reserves £'000s	Share Option Reserve £'000s	Foreign Exchange Translation Reserve £'000s	Retained Earnings £'000s	Total £'000s	Non-Controlling Interest £'000s	Total Equity £'000s
Balance as at 31 March 2019	1,987	3,286	(4,796)	238	(19)	23,786	24,482	2,140	26,622
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
Total comprehensive (loss)/gain for the year									
Loss for the year	-	-	-	-	-	(3,856)	(3,856)	392	(3,464)
Other comprehensive (loss)/gain for the year	-	-	-	-	65	(209)	(144)	-	(144)
Total comprehensive (loss)/gain for the year	-	-	-	-	65	(4,065)	(4,000)	392	(3,608)
Transactions with owners of the Group, recognised directly in equity									
Shares options lapsed in year	-	-	-	(200)	-	-	(200)	-	(200)
Total contributions by and distributions to owners of the Group	-	-	-	(200)	-	-	(200)	-	(200)
Balance as at 31 March 2021	1,991	3,294	(4,796)	3	(60)	(282)	150	3,198	3,348

The notes on pages 38 to 76 form part of these financial statements.

Company Statement of Changes in Equity

Year ended 31 March 2021

	Issued Share Capital £'000s	Share Premium Account £'000s	Share Option Reserve £'000s	Retained Earnings £'000s	Total Equity £'000s
Balance as at 31 March 2019	1,987	3,286	238	2,990	8,501
Loss for the year	–	–	–	(9,819)	(9,819)
Other comprehensive loss for the year	–	–	–	(883)	(883)
Total comprehensive loss 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)
Total comprehensive Loss for the year					
Loss for the year	–	–	–	(6,174)	(6,174)
Other comprehensive loss for the year	–	–	–	93	93
Total comprehensive Loss for the year	–	–	–	(6,081)	(6,081)
Transactions with owners of the Group, recognised directly in equity					
Shares options lapsed in the year	–	–	(200)	–	(200)
Total contributions by and distributions to owners of the Group	–	–	(200)	–	(200)
Balance as at 31 March 2021	1,991	3,294	3	(13,793)	(8,505)

The notes on pages 38 to 76 form part of these financial statements.

Consolidated Statement of Financial Position

Year ended 31 March 2021

	Notes	31 March 2021 £'000s	31 March 2020 £'000s
NON-CURRENT ASSETS			
Goodwill	16	32,722	37,753
Other intangible assets	17	9	61
Tangible fixed assets	18	8,548	16,199
Investments	19	–	81
Deferred tax asset	20	1,426	1,508
		42,705	55,602
CURRENT ASSETS			
Inventories	21	3,597	6,823
Trade and other receivables	22	7,248	10,232
Current tax assets		–	182
Cash collateral	13	215	215
Cash and cash equivalents		622	1,363
		11,682	18,815
Assets classed as held for sale	33	20,157	1,148
TOTAL ASSETS		74,544	75,565
CURRENT LIABILITIES			
Trade and other payables	25	8,087	9,097
Borrowings	23	2,659	2,717
Lease liabilities	24	93	390
NCI put option	26	1,553	2,900
		12,392	15,104
Liabilities classed as held for sale	33	4,442	–
NON-CURRENT LIABILITIES			
Borrowings	23	46,624	43,059
Lease liabilities	24	–	567
Long-term liabilities – NCI put option	26	–	1,520
Derivative liability - convertible loan notes	26	17	–
Deferred tax liabilities	20	216	223
Retirement benefit obligation	32	7,505	7,936
		54,362	53,305
TOTAL LIABILITIES		71,196	68,409
NET ASSETS		3,348	7,156
EQUITY			
Share capital	27	1,991	1,991
Share premium account		3,294	3,294
Other reserves		(4,796)	(4,796)
Share option reserve		3	203
Foreign exchange translation reserve		(60)	(125)
Retained earnings		(282)	3,783
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		150	4,350
Non-controlling Interest		3,198	2,806
TOTAL EQUITY		3,348	7,156

These financial statements were approved by the Board of Directors and authorised for issue on 20 September 2021.

They were signed on its behalf by:

Mike Holt **Maribeth Keeling**
Executive Chairman Chief Financial Officer

The notes on pages 38 to 76 form part of these financial statements.

Company Statement of Financial Position

Year ended 31 March 2021

Registered Company Number: 04666282

	Notes	31 March 2021 £'000s	31 March 2020 £'000s
NON-CURRENT ASSETS			
Investments	19	54,670	54,670
Other intangible assets	17	–	18
Property, plant, and equipment	18	118	143
Deferred tax asset	20	1,426	1,508
		56,214	56,339
CURRENT ASSETS			
Trade and other receivables	22	7,855	71,125
Current tax assets		–	(4)
Cash collateral	13	215	215
Cash and cash equivalents		17	8
		8,087	71,344
Assets classed as held for sale	33	1,000	1,000
TOTAL ASSETS		65,301	128,683
CURRENT LIABILITIES			
Trade and other payables	25	20,845	82,294
		20,845	82,294
NON-CURRENT LIABILITIES			
Borrowings	23	45,439	40,677
Derivative liability - Convertible loan notes	26	17	–
Retirement benefit obligation	32	7,505	7,936
		52,961	48,613
TOTAL LIABILITIES		73,806	130,907
NET LIABILITIES		(8,505)	(2,224)
EQUITY			
Share capital	27	1,991	1,991
Share premium account		3,294	3,294
Share option reserve		3	203
Retained earnings		(13,793)	(7,712)
TOTAL EQUITY		(8,505)	(2,224)

Real Good Food plc (the Company) reported a total comprehensive loss for the year ended 31 March 2021 of £6,081k (2020: loss of £10,702k). 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 20 September 2021.

They were signed on its behalf by:

Mike Holt **Maribeth Keeling**
Executive Chairman Chief Financial Officer

The notes on pages 38 to 76 form part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 March 2021

	Notes	31 March 2021 £'000s	31 March 2020 £'000s
CASH FLOW FROM OPERATING ACTIVITIES			
Adjusted for:			
(Loss) before taxation		(3,491)	(20,147)
Finance and other finance costs	9, 10	4,856	5,617
Share options reserve credit		(200)	–
Foreign Exchange movement		308	(115)
Goodwill impairment charge	16	–	12,622
Impairment charge on fixed assets	18	–	287
Share based payment expense		–	(35)
Loss on disposal of investment		31	–
Loss on disposal of property, plant and equipment		7	–
Past service cost on pension	32	–	16
Fair value of derivative liability		17	(294)
Fair value of NCI put option		(1,302)	(577)
Depreciation of property, plant, and equipment	18	2,435	2,375
Amortisation of intangibles	17	52	1,538
Operating Cash Flow		2,713	1,287
Decrease in inventories		676	17
Decrease/(increase) in receivables		23	(2,327)
Pension contributions	32	(720)	(733)
Decrease in cash collateral		–	1,785
Increase in payables		953	1,279
Cash from operations		3,645	1,308
Income taxes received		–	52
Interest paid		(86)	(189)
Interest on leases		(26)	(27)
Net cash inflow from operating activities		3,533	1,144
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant, and equipment		(567)	(1,819)
Proceeds from sale of investment		50	–
Disposal of discontinued business, net of cash disposed of		–	550
Net cash outflow from investing activities		(517)	(1,269)
CASH FLOW USED IN FINANCING ACTIVITIES			
Shares issued in year	27	–	4
Repayment of lease liabilities	23	(402)	(504)
Repayment / (Inflow) of term loans	23	(865)	3,420
Repayment of other loans	23	(35)	(1,636)
Repayment of investor loans	23	–	(4,519)
Drawdowns on revolving credit facilities		42,816	28,261
Repayments on revolving credit facilities		(42,876)	(26,409)
Net cash outflow from financing activities		(1,362)	(1,383)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		1,654	(1,508)
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		1,363	2,909
Effects of currency translations on cash and cash equivalents		63	(38)
Net movement in cash and cash equivalents		1,654	(1,508)
Cash and cash equivalents at end of period		3,080	1,363
Continuing operations		622	1,363
Discontinued operations	33	2,458	–
Cash and cash equivalents at end of period		3,080	1,363

Company Cash Flow Statement

Year ended 31 March 2021

	Notes	31 March 2021 £'000s	31 March 2020 £'000s
CASH FLOW FROM OPERATING ACTIVITIES			
Adjusted for:			
Loss before taxation		(6,194)	(9,819)
Finance and other finance costs		4,921	5,448
Impairment charge fixed asset	33	–	287
Share based payment expense		–	(35)
Past service cost on pension	32	–	16
Fair value of derivative liability		17	(294)
Depreciation of property, plant and equipment	18	25	187
Amortisation of intangibles	17	18	132
Operating Cash Flow		(1,213)	(4,078)
Decrease / (Increase) in receivables		63,353	(910)
Pension contributions	32	(720)	(733)
(Decrease) / Increase in payables		(61,402)	7,318
Decrease in cash collateral		–	1,786
Cash from operations		18	3,383
Interest paid		(9)	–
Net cash inflow from operating activities		9	3,383
CASH FLOW FROM INVESTING ACTIVITIES			
Net cash / (outflow) from investing activities		–	–
CASH FLOW USED IN FINANCING ACTIVITIES			
Shares issued in year	27	–	4
(Repayment) of investor loans	23	–	(4,519)
Net cash outflow from financing activities		–	(4,515)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		9	(1,132)
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		8	1,140
Net movement in cash and cash equivalents		9	(1,132)
Cash and cash equivalents at end of period		17	8

Notes to the Financial Statements

Year ended 31 March 2021

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 accounting standards 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 notes 2 and 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 2021, the Group did not dispose of any major lines or businesses. However, the Group sold Brighter Foods Limited in May 2021 and this has been classified as held for sale in the accounts. At 31 March 2021, some remaining assets in relation to the previously disposed businesses are classed as held for sale, in addition to the net assets of Brighter Foods Limited. For further details please refer to note 33.

Any references to discontinued operations throughout this report refers to Brighter Foods Limited.

IFRS standards and interpretations adopted

New standards and amendments which are effective from 1 January 2020, and have been adopted within the Group's accounting policies are:

- Amendments to IFRS 3 Business combinations - definition of a business (effective for periods beginning after 1 January 2020);
- Amendments to IAS 1 Presentation of financial statements and IAS 8 Accounting policy changes in accounting estimates and errors - definition of material (effective for periods beginning after 1 January 2020);
- Amendments to IFRS 9, Financial Instruments, IAS 39 Financial Instruments and IFRS 17 Financial Instruments: disclosures - interest rate benchmark reform (effective for periods beginning after 1 January 2020); and
- Amendments to the conceptual framework.

The adoption of the amendments to IFRS 3, IAS 1, IAS 8, IFRS 9, IAS 39, IFRS 17 and the conceptual framework 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. The forecasts, agreed with the businesses, consider reasonable possible changes in trading performance.

The forecast for FY22 for the continuing businesses, is based on the national lockdowns being removed in July 2021. Some of the sectors we serve have experienced growth during the covid-19 pandemic, namely retail and international. The sectors most affected by the pandemic owing to their customers having to close, wholesale and manufacturing, have returned to pre covid sales. The new customers and product launches during FY21 will have a full year impact in FY22. The overhead savings and operational efficiencies are also included in the forecast.

The Board consider the forecasts to be reasonable and these assumptions have been projected.

The Board reviewed the sensitivity of the sales and have modelled the effects of these.

The Directors considered the following scenarios:

Scenario 1: Reduction in revenue of 5% all year; and

Scenario 2: Reduction in revenue of 5% and the gross margin reduced by 10% all year.

In Scenario 1 without any mitigating action the Group does not run out of cash and has sufficient liquidity headroom with the low point for cash being September 2022 when cash would reduce to £2.1 million as a result of the stock build for quarter 3, (October to December).

In Scenario 2 without any mitigating action the Group would run out of cash in May 2022, some 14 months from the monthly reduction in revenue and gross margin from the start of FY22. If there was a reduction in gross margin of 10%, this would be as a result of commodity price increases that would be passed onto customers. The mitigating action would be taken quickly and would result in a price increase to customers, with a time lag factored in as negotiation took place with customers. A prudent approach of a 75% recovery in FY22 would result in the business not running out of cash with the low point for cash being September 2022 when cash would be £1.3million, owing to the stock build.

2. Significant accounting policies continued

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

- Cessation of non-essential spend
- Review of overhead costs

The banking covenants that are in place for FY22 have been amended taking into account the seasonality of the Cake Decorations business.

The covenants for FY22 are plus or minus 25% of the forecast EBITDA and greater than £5 million tangible net worth. These covenants are not breached on the stressed scenarios referred to above.

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 19 May 2022 to 19 May 2023.

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.

Following the post year end sale of Brighter Foods Limited and the subsequent repayment of Shareholder Loans, the Board has agreed with Investors to continue to roll up interest on the loans and would expect to make further Investor loan repayments on any future divestment of a business.

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.

Notes to the Financial Statements (continued)

Year ended 31 March 2021

2. Significant accounting policies continued

g) Property, plant and equipment

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

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

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

2. Significant accounting policies continued

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.

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 Limited and Rainbow Dust Colours Limited, 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 2022 on which the repayment date has been agreed to move to 19 May 2023. 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.

Grants which have been received in respect of the Coronavirus job retention scheme has been accounted for and presented separately on the face of the Statement of Comprehensive Income, rather than by reducing the related expense. The Group has used the Government deferred PAYE payment scheme. The costs were accounted for as incurred. All deferred PAYE has been fully repaid.

t) Non-controlling Interest (NCI) put option

Upon acquisition of Brighter Foods Limited, 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. The put option for 2020 was not called.

Notes to the Financial Statements (continued)

Year ended 31 March 2021

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.

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.

The Directors considered the following scenarios:

Scenario 1: Reduction in revenue of 5%; and

Scenario 2: Reduction in EBITDA of 5% and the gross margin reduced by 10% all year.

In Scenario 1 without any mitigating action the Group does not run out of cash and has sufficient liquidity headroom post March 2023 with the low point for cash being September 2022 when cash would reduce to £2.1 million as a result of the stock build for quarter 3, (October to December).

In Scenario 2 without any mitigating action the Group would run out of cash in May 2022, some 8 months from the monthly reduction in revenue and gross margin. If there was a reduction in gross margin of 10%, this would be as a result of commodity price increases that would be passed onto customers. The mitigating action would be taken quickly and would result in a price increase to customers, with a time lag factored in as negotiation took place with customers. A prudent approach of a 75% recovery in FY22 would result in the business not running out of cash with the low point for cash being September 2022 when cash would be £1.3million, owing to the stock build.

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

- Cessation of non-essential spend
- Review of overhead costs

The banking covenants that are in place for FY22 have been amended taking into account the seasonality of the Cake Decorations business.

Following the post year end sale of Brighter Foods Limited and the subsequent repayment of Shareholder Loans, the Board has agreed with Investors to roll up interest on the loans and would expect to make further Investor loan repayments on any future divestment of a business.

3. Critical accounting estimates and judgements continued

The covenants for FY22 are plus or minus 25% of the forecast EBITDA and greater than £5 million tangible net worth. These covenants are not breached on the stressed scenarios referred to above. 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 19 May 2022 to 19 May 2023. The banking covenants in place are positive 3 month rolling EBITDA and positive tangible net worth and have not been breached on the stressed scenarios referred to above. The maximum draw down value during FY21 of the facility was in December 2020. This was £2.3m.

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.

Long term funding

The Board has reviewed the forecasts for FY23, and the group has agreed with the Investors to continue to roll up interest on the loans. The Board would expect to make Investor loan repayments on a divestment of a business.

4. Revenue

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

Cake Decoration	£37.3 million (2020 £41.2m)	Manufactures, sells, and supplies cake decorating products and ingredients for the baking sector.
Held for sale (Food Ingredients)	£19.8 million (2020 £25.3m)	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 one main division: Cake Decoration. The Head Office has a finance function that supports the subsidiary as required.

12 months ended 31 March 2021	Cake Decoration £'000s	Head Office and non-trading subsidiaries £'000s	Continuing Operations £'000s	Discontinued Operations £'000s	Total Group £'000s
Total revenue	40,206	–	40,206	19,788	59,994
Intercompany sales	(2,914)	–	(2,914)	–	(2,914)
External revenue	37,292	–	37,292	19,788	57,080
Cost of sales	(22,128)	–	(22,128)	(12,992)	(35,120)
Gross profit	15,164	–	15,164	6,796	21,960
Income from Furlough Scheme	1,205	–	1,205	461	1,666
Other operating income	–	48	48	49	97
Distribution expenses	(3,615)	–	(3,615)	(411)	(4,026)
Administrative expenses	(13,657)	(609)	(14,266)	(4,100)	(18,366)
Operating (loss) / profit before impairment and significant items	(903)	(561)	(1,464)	2,795	1,331
Significant Items	(763)	966	203	(169)	34
Operating (loss)/profit after impairment and significant items	(1,666)	405	(1,261)	2,626	1,365
Finance costs	(95)	(4,570)	(4,665)	(9)	(4,674)
Other finance costs	–	(182)	(182)	–	(182)
(Loss)/profit before tax	(1,761)	(4,347)	(6,108)	2,617	(3,491)
Income tax credit/(expense)	–	27	27	–	27
(Loss)/profit after tax as per comprehensive statement of income	(1,761)	(4,320)	(6,081)	2,617	(3,464)

Notes to the Financial Statements (continued)

Year ended 31 March 2021

5. Segment reporting continued

12 months ended 31 March 2020	Cake Decoration £'000s	Head Office and non-trading subsidiaries £'000s	Continuing Operations £'000s	Discontinued Operations £'000s	Total Group £'000s
Total revenue	48,621	–	48,621	25,323	73,944
Intercompany sales	(7,378)	–	(7,378)	–	(7,378)
External revenue	41,243	–	41,243	25,323	66,566
Cost of sales	(23,615)	–	(23,615)	(15,980)	(39,595)
Gross profit/(loss)	17,628	–	17,628	9,343	26,971
Other operating income	–	10	10	–	10
Distribution expenses	(2,995)	–	(2,995)	(444)	(3,439)
Administrative expenses	(14,353)	(3,805)	(18,158)	(5,974)	(24,132)
Operating profit/(loss) before impairment and significant items	280	(3,795)	(3,515)	2,925	(590)
Significant items	(1,081)	59	(1,022)	(9)	(1,031)
Impairment charge	(12,622)	(287)	(12,909)	–	(12,909)
Operating (loss)/profit after impairment and significant items	(13,423)	(4,023)	(17,446)	2,916	(14,530)
Finance costs	(198)	(5,247)	(5,445)	(3)	(5,448)
Other finance costs	–	(169)	(169)	–	(169)
(Loss)/profit before tax	(13,621)	(9,439)	(23,060)	2,913	(20,147)
Income tax credit/(expense)	–	1,692	1,692	–	1,692
(Loss)/profit after tax as per comprehensive statement of income	(13,621)	(7,747)	(21,368)	2,913	(18,455)

Geographical segments

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

12 months ended 31 March 2020	Cake Decoration £'000s	Discontinued Operations £'000s
UK	28,266	22,309
Europe	4,631	3,014
USA	7,293	–
Rest of World	1,053	–
Total	41,243	25,323

The Group has two customers which constitute over 10% of revenue: one providing 21% of revenue, and the other 13%.

12 months ended 31 March 2021	Cake Decoration £'000s	Discontinued Operations £'000s
UK	25,795	19,788
Europe	4,465	–
USA	6,191	–
Rest of World	841	–
Total	37,292	19,788

The Group has one customer which constitutes over 18% of revenue in the Cake Decoration division.

5. Segment reporting continued

Reconciliation of operating (loss)/profit to underlying adjusted EBITDA to 31 March 2021	Cake Decoration £'000s	Head Office and non-trading subsidiaries £'000s	Continuing Operations £'000s	Discontinued Operations £'000s	Total Group £'000s
Operating (loss)/profit	(1,666)	405	(1,261)	2,626	1,365
Significant items	763	(966)	(203)	169	(34)
Depreciation	1,614	25	1,639	796	2,435
Amortisation	87	(35)	52	–	52
Underlying adjusted EBITDA	798	(571)	227	3,591	3,818

Reconciliation of operating (loss)/profit to underlying adjusted EBITDA to 31 March 2020	Cake Decoration £'000s	Head Office and non-trading subsidiaries £'000s	Continuing Operations £'000s	Discontinued Operations £'000s	Total Group £'000s
Operating (loss)/profit	(13,423)	(4,023)	(17,446)	2,916	(14,530)
Significant items	1,081	(59)	1,022	9	1,031
Impairment charge	12,622	287	12,909	–	12,909
Depreciation	1,521	187	1,708	667	2,375
Amortisation	34	125	159	1,379	1,538
Underlying adjusted EBITDA	1,835	(3,483)	(1,648)	4,971	3,323

31 March 2021	Cake Decoration £'000s	Head Office and non-trading subsidiaries £'000s	Continuing Operations £'000s	Discontinued Operations £'000s	Total Group £'000s
Segment assets	52,180	3,355	55,535	19,009	74,544
Segment liabilities	11,305	55,449	66,754	4,442	71,196
Net operating assets / (liabilities)	40,875	(52,094)	(11,219)	14,567	3,348
Non-current asset additions	444	–	444	185	629
Depreciation	(1,614)	(25)	(1,639)	(796)	(2,435)
Amortisation	(87)	35	(52)	–	(52)

31 March 2020	Cake Decoration £'000s	Head Office and non-trading subsidiaries £'000s	Continuing Operations £'000s	Discontinued Operations £'000s	Total Group £'000s
Segment assets	57,032	(1,570)	55,462	20,103	75,565
Segment liabilities	13,835	51,451	65,286	3,123	68,409
Net operating assets / (liabilities)	43,197	(53,021)	(9,824)	16,980	7,156
Non-current asset additions	330	–	330	1,489	1,819
Depreciation	(1,521)	(187)	(1,708)	(667)	(2,375)
Amortisation	(34)	(125)	(159)	(1,379)	(1,538)

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 2021, Head Office costs of £0.8 million (2020: £1.1m) have been re-allocated to the Cake Decoration division.

Notes to the Financial Statements (continued)

Year ended 31 March 2021

6. Significant items

	12 months ended 31 March 2021 £'000s	12 months ended 31 March 2020 (restated*) £'000s
Costs relating to disposal of Brighter Foods	(269)	–
Professional fees in relation to refinancing costs	(38)	–
Movement in provisions relating to the non-controlling interest put option	1,302	–
Change in value of convertible loan notes derivative liability	–	294
Professional fees in relation to Liverpool factory	(113)	–
Closure of Renshaw US warehouse	(171)	–
Management restructuring	(508)	(1,316)
Significant items - Continuing business	203	(1,022)
Continuing business	203	(1,022)
Discontinued business	(169)	(9)
Total significant items	34	(1,031)

* The significant items for the year ended 31 March 2020 have been restated to reflect the change in continuing and discontinued operations.

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 2021 significant item expenditure is explained in the note below:

1. The legal and due diligence costs involved in preparing the Brighter Food business for disposal.
2. The legal costs associated with including Brighter Foods in the CID facility with ABL Leumi.
3. Project management costs for projects running in the Crown Street factory.
4. Costs associated with closing the Renshaw US warehouse, the lease terminating in July 2021, with stockholding relocated to Crown Street Liverpool.
5. Redundancy costs of the restructuring plan started in FY20.
6. Brighter Foods incurred costs in relation to a proposed sale, as the disposal has occurred, Brighter Foods is now shown as a discontinued operation.

The year to 31 March 2020 had the following significant costs:

1. The fair value of the CLNs was reduced in FY20 from the FY19 estimate. This was a significant item in the accounts.
2. Restructure costs relating to the Cake Decoration business and Head Office infrastructure.

7. Auditor's remuneration

	12 months ended 31 March 2021 £'000s	12 months ended 31 March 2020 £'000s
Fees payable to the Company's auditor for the audit of the Group's annual accounts	(215)	(208)
Fees payable to the Company's auditor for other services:		
Audit related assurance services	(27)	(25)
Tax compliance services	(25)	(25)
Tax advisory services	(1)	(10)
Other assurance services	(6)	(6)
Total fees paid to auditor	(274)	(274)

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 2021 £'000s	12 months ended 31 March 2020 £'000s
Annual Accounts audit fee apportioned by division		
Real Good Food plc	(105)	(108)
Brighter Foods Ltd	(20)	(20)
Real Good Food Ingredients Ltd	-	-
J F Renshaw Ltd	(70)	(60)
Rainbow Dust Colours Ltd	(20)	(20)
	(215)	(208)

Notes to the Financial Statements (continued)

Year ended 31 March 2021

8. Operating loss

Operating loss for continuing operations

	Notes	12 months ended 31 March 2021 £'000s	12 months ended 31 March 2020 (restated*) £'000s
External Sales		37,292	41,243
Staff Costs	12	(12,276)	(13,239)
Inventories:			
– cost of inventories as an expense (included in cost of sales)		(16,294)	(16,889)
Depreciation of property, plant, and equipment	5, 18	(1,639)	(1,708)
Amortisation of intangible assets	5, 17	(52)	(159)
Significant items	6	203	(1,022)
Impairment charges	16, 18	–	(12,909)
Research and development expenditure		(626)	(665)
Impairment of trade receivables	22	(38)	(27)
Foreign exchange gains/(losses)		(308)	138
Other net operating expenses		(7,523)	(12,209)
Total		(38,553)	(58,689)
Operating loss		(1,261)	(17,446)

* The operating profit note for the year ended 31 March 2020 has been restated to reflect the change in continuing and discontinued operations.

9. Finance costs

	12 months ended 31 March 2021 £'000s	12 months ended 31 March 2020 £'000s
Interest on bank loans, overdrafts, and investor loans	(4,600)	(5,466)
Interest on lease liabilities	(26)	(12)
Interest on non-controlling interest put option	43	46
Finance cost on substantial modification of convertible loan notes**	(91)	–
Past service cost on pension (note 32)	–	(16)
	(4,674)	(5,448)
Continuing business	(4,665)	(5,445)
Discontinued business	(9)	(3)

** On 2nd December 2020, a substantial modification to the convertible loan note terms was made requiring derecognition of the existing loans and recognition of new loans. As a result of this modification, the value of the liability increased leading to a loss in the year.

10. Other finance costs

	12 months ended 31 March 2021 £'000s	12 months ended 31 March 2020 £'000s
Interest on pension scheme liabilities (note 32)	(465)	(497)
Interest on pension scheme assets (note 32)	312	328
Interest on effect of asset ceiling/IFRIC 14	(29)	–
	(182)	(169)

11. Directors' remuneration

	12 months ended 31 March 2021 £'000s	12 months ended 31 March 2020 £'000s
Directors' salaries, benefits, and fees	(482)	(786)
	(482)	(786)

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 2021 £'000s	12 months ended 31 March 2020 £'000s
M Holt	160	–	–	–	160	88
J M d'Unienville	25	–	–	–	25	25
M Keeling	178	10	15	–	203	132
J A Mackenzie	25	–	–	–	25	25
A Ridgwell	27	–	–	–	27	23
G Lumsden	42	–	–	–	42	18
P G Ridgwell (to May 19)	–	–	–	–	–	6
C O Thomas (to Jul 19)	–	–	–	–	–	10
H C L Cawley (to Feb 20)	–	–	–	–	–	387
S Downing (to Oct 19)	–	–	–	–	–	21
P Richardson (to Apr 20)	–	–	–	–	–	51
	457	10	15	–	482	786

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.

Notes to the Financial Statements (continued)

Year ended 31 March 2021

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
A Ridgwell	25
G Lumsden	38
M Keeling	142
	390

There were no options for directors at 31 March 2021 or 31 March 2020.

No new options were granted to Directors during the year (2020: 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 2021 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 (2020: one).

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 2021 Group	31 March 2021 Company	31 March 2020 (restated*) Group	31 March 2020 Company
Continuing operations				
Production	258	–	259	–
Selling and distribution	40	–	51	–
Directors and administrative	30	5	33	7
	328	5	343	7
Discontinued operations				
Production	170	–	228	–
Directors and administrative	46	–	53	–
	216	–	281	–
Total no. of staff	544	5	624	7

12. Staff numbers and costs continued

The aggregate payroll costs were as follows:

	31 March 2021 Group £'000s	31 March 2021 Company £'000s	31 March 2020 Group (restated*) £'000s	31 March 2020 Company £'000s
Continuing operations				
Wages, salaries, and fees	10,575	338	11,259	923
Social security costs	1,066	44	1,271	197
Other pension costs	635	20	7,009	28
	12,276	402	13,239	1,148
Discontinued operations				
Wages, salaries, and fees	4,473	–	5,466	–
Social security costs	379	–	399	–
Other pension costs	115	–	104	–
	4,967	–	5,969	–
Total payroll costs	17,243	402	19,208	1,148

* Payroll numbers and costs for the year ended 31 March 2020 have been restated to reflect the change in continuing and discontinued operations.

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 2021 Group £'000s	31 March 2021 Company £'000s	31 March 2020 Group £'000s	31 March 2020 Company £'000s
Wages, salaries, and fees	484	–	462	–
Social security costs	67	–	63	–
Other pension costs	33	–	32	–
Total payroll costs	584	–	557	–

Notes to the Financial Statements (continued)

Year ended 31 March 2021

13. Notes supporting the cash flow statement

The cash collateral figure for the Group is £0.2million (FY20: £0.2m). 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

	Non-current Loans and Borrowings £'000s (Note 23)	Current Loans and Borrowings £'000s (Note 23)	Total £'000s
Real Good Food plc (Group)			
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
Cash Flows	(37)	(923)	(960)
Non-cash flows			
– Interest accruing on loans	4,376	–	4,376
– Finance loss on change of terms for convertible loan notes	91	–	91
Loans and borrowings classified as non-current at March 2020 becoming current before March 2021	(865)	865	–
At 31 March 2021	46,624	2,659	49,283

Company

	Non-current Loans and Borrowings £'000s (Note 23)	Current Loans and Borrowings £'000s (Note 23)	Total £'000s
Real Good Food plc (Company)			
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
Cash Flows	–	–	–
Non-cash flows			
– Interest accruing on loans	4,671	–	4,671
– Finance cost of change of terms for convertible loan notes	91	–	91
At 31 March 2021	45,439	–	45,439

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 2021 Group £'000s	31 March 2021 Company £'000s	31 March 2020 Group £'000s	31 March 2020 Company £'000s
Short term borrowings	23	(2,659)	–	(2,717)	–
Short term lease liabilities	23	(93)	–	(390)	–
Long term borrowings	23	(46,624)	(45,439)	(43,059)	(40,677)
Long term lease liabilities	23	–	–	(567)	–
Cash		622	17	1,363	8
Total Net Debt		(48,754)	(45,422)	(45,370)	(40,669)

Group

	Net cash and current borrowings £'000s	Non-current borrowings £'000s	Net debt £'000s
At 1 April 2019	(2,241)	37,961	35,720
Cash flow ¹	1,882	(1,723)	159
Other non-cash movements ²	2,103	7,388	9,491
At 31 March 2020	1,744	43,626	45,370
Cash flow	386	(1,748)	(1,362)
Other non-cash movements	–	4,746	4,746
At 31 March 2021	2,130	46,624	48,754

Company

	Net cash and current borrowings £'000s	Non-current borrowings £'000s	Net debt £'000s
At 1 April 2019	(1,140)	36,715	35,575
Cash flow ¹	1,132	(4,519)	(3,387)
Other non-cash movements ²	–	8,481	8,481
At 31 March 2020	(8)	40,677	40,669
Cash flow	–	–	–
Other non-cash movements	(9)	4,762	4,753
At 31 March 2021	(17)	45,439	45,422

¹ Includes investor loans of £3.7m and accrued interest of £0.5m repaid in 2020 from new borrowings of £3.6m.

² Includes additional accrued interest of £5.0m on investor loans and convertible loan notes and redemption premiums of £3.1m on shareholder loan.

Notes to the Financial Statements (continued)

Year ended 31 March 2021

14. Taxation

Group

	31 March 2021 £'000s	31 March 2020 £'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	-	-
Total current tax	-	-
Origination and reversal of timing differences	27	1,692
Adjustments in respect of prior years	-	-
Total deferred tax	27	1,692
Tax – continuing operations	27	1,692
Tax – discontinued operations	-	-
Total tax	27	1,692

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% (2020: 19%). The differences are explained below:

	31 March 2021 £'000s	31 March 2020 £'000s
Tax reconciliation		
Loss per accounts before taxation - continuing operations	(6,108)	(23,060)
Loss per accounts before taxation - discontinued operations	2,617	2,913
Total loss before taxation	(3,491)	(20,147)
Tax on loss on ordinary activities at standard corporation tax rate of 19%	663	3,828
Expenses not deductible for tax purposes	(499)	(2,209)
Movement on unrecognised deferred tax	(137)	-
Adjustments in respect of change in deferred tax rate	-	73
Adjustments to tax in respect of prior years	-	-
Total tax	27	1,692
Tax on continuing operations	27	1,692
Tax on discontinued operations	-	-
Tax charge for the period	27	1,692

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

Factors that may affect future tax charges

An increase in the main corporation tax rate to 25% from 1 April 2023, from the previously enacted 19% was announced at the budget on 3 March 2021, and subsequently enacted on 24 May 2021. The deferred tax balance at 31 March 2021 has been calculated based on the rate as at the reporting date of 19% (2020: 19%)

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 2021 Continuing Operations	12 months ended 31 March 2021 Discontinued Operations	12 months ended 31 March 2020 Continuing Operations (restated*)	12 months ended 31 March 2020 Discontinued Operations (restated*)
(Loss)/profit after tax attributable to ordinary shareholders (£'000s)	(6,473)	2,617	(22,034)	2,913
Weighted average number of shares in issue for basic EPS ('000s)	99,564	99,564	99,505	99,505
Employee share options ('000s)	340	340	1,830	1,830
Convertible loan notes ('000s)	220,980	220,980	200,571	200,571
Weighted average number of shares in issue for diluted EPS ('000s)	320,884	320,884	301,906	301,906
Basic and diluted (loss)/earnings per share	(6.50)p	2.63p	(22.14)p	2.92p

*The loss after tax attributable to ordinary shareholders for the year ended 31 March 2020 has been restated to reflect the change in continuing and discontinued operations.

The total loss per share for 2021 is (3.87)p for continuing and discontinued operations (2020 continuing and discontinued loss per share: (19.22)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 for continuing operations. Therefore, diluted EPS is the same as basic for continuing operations. However, the discontinued operations can be diluted. The impact of this is a diluted earnings per share of 0.82p for discontinued operations (2020: 0.96p). 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 (6.50)p on the continuing operations and earnings of 2.63p on the discontinued operations (2020: loss of (22.14)p on the continuing operations and earnings of 2.92p on the discontinued operations).

The weighted average number of shares in issue for the year was 99,564,430 and the number of options outstanding was 33,333. If these were all exercised the cash raised would be equivalent to that which would be raised by issuing 339,750 shares at the average share price during the year. There were also 8,806,571 convertible loan notes outstanding, of which the weighted average number of shares was 220,979,796. Therefore, the weighted average number of dilutive potential ordinary shares is 320,883,976.

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	
At 1 April 2020	37,753
Less assets held for sale	(5,031)
At 31 March 2021	32,722

	31 March 2021 £'000s	31 March 2020 £'000s
Cake Decoration	32,722	32,722
Brighter Foods (discontinued operations - assets held for sale)	–	5,031
Carried forward	32,722	37,753

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.

Notes to the Financial Statements (continued)

Year ended 31 March 2021

16. Goodwill continued

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% (2020: 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 did not result in an impairment of the goodwill held for Cake Decoration (2020: impairment of £12.6 million 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 an impairment of £0.1 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 a reduction in headroom of £1.8 million on the carrying value of goodwill on Cake Decoration.

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

	Book value of cash generating unit £'000s	Estimated recoverable amount/value in use £'000s
Cake Decoration	44,260	46,782

17. Other intangible assets

	Customer Relationships £'000s	Computer Software £'000s	Development Costs £'000s	Group £'000s	Company £'000s
Cost					
At 1 April 2020	4,170	332	111	4,613	296
At 31 March 2021	4,170	332	111	4,613	296
Amortisation					
At 1 April 2020	4,170	285	97	4,552	278
Charge	–	41	11	52	18
At 31 March 2021	4,170	326	108	4,604	296
Net Book Value at 31 March 2021	–	6	3	9	–
Cost					
At 1 April 2019	4,170	332	111	4,613	296
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

17. Other intangible assets continued

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 2021 consist of £nil computer software (2020: £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 2020	4,872	23,302	–	28,174
Reclassified to non-current assets discontinued operations	(944)	(6,532)	–	(7,476)
Reclassified to non-current assets discontinued operations IFRS16	(771)	–	–	(771)
Additions	44	585	–	629
Disposals	–	(207)	–	(207)
At 31 March 2021	3,201	17,148	–	20,349
Depreciation				
At 1 April 2020	1,177	10,798	–	11,975
Reclassified to non-current assets discontinued operations	(130)	(2,075)	–	(2,205)
Reclassified to non-current assets discontinued operations IFRS16	(208)	–	–	(208)
Charge	469	1,966	–	2,435
Disposals	–	(196)	–	(196)
At 31 March 2021	1,308	10,493	–	11,801
Net Book Value at 31 March 2021	1,893	6,655	–	8,548
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

Notes to the Financial Statements (continued)

Year ended 31 March 2021

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 2020	1,256	208	1,464
Additions	34	29	63
Leases terminated	–	(4)	(4)
Reclassified to non-current assets discontinued operations	(771)	–	(771)
At 31 March 2021	519	233	752
Depreciation			
At 1 April 2020	(313)	(175)	(488)
Charge	(354)	(61)	(415)
Leases terminated	–	4	4
Reclassified to non-current assets discontinued operations	208	–	208
At 31 March 2021	(459)	(232)	(691)
Net Book Value at 31 March 2021	60	1	61

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 2020	–	299	299
At 31 March 2021	–	299	299
Depreciation			
At 1 April 2020	–	156	156
Charge	–	25	25
At 31 March 2021	–	181	181
Net Book Value at 31 March 2021	–	118	118

Cost			
At 1 April 2019	498	1,679	2,177
Additions	(498)	(1,380)	(1,878)
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

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 2020	53,900	–	770	54,670
At 31 March 2021	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 (2020: nil charge).

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, held a 15% investment in Boka Foods Limited until its disposal in March 2021 FY21 (2020: £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 2021 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 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 1348 Ottignies-Louvain-la-Neuve, Chemin du Cyclotron 6, Bruxelles

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

Brighter Foods Ltd registered office at 5th Floor Voyager House Chicago Avenue, Manchester Airport, Manchester, England, M90 3DQ

Notes to the Financial Statements (continued)

Year ended 31 March 2021

20. Deferred taxation liability/(asset)

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

	31 March 2021 Group £'000s	31 March 2021 Company £'000s	31 March 2020 Group £'000s	31 March 2020 Company £'000s
Opening position	(1,285)	(1,508)	622	(1,259)
(Credit) to income statement	(27)	(20)	(1,692)	(35)
Charge / (Credit) to other comprehensive income – defined benefit pension scheme movement	102	102	(215)	(215)
Charge to equity - deferred tax on share-based payments	–	–	–	1
Closing position	(1,210)	(1,426)	(1,285)	(1,508)
Shown as follows:				
Liabilities	216	–	223	–
Assets	(1,426)	(1,426)	(1,508)	(1,508)
	(1,210)	(1,426)	(1,285)	(1,508)

Group

Deferred tax assets

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

	Pension Scheme £'000s	Total £'000s
At 31 March 2020	(1,508)	(1,508)
(Credit) to income statement	(20)	(20)
Charge to other comprehensive income	102	102
At 31 March 2021	(1,426)	(1,426)
Within 12 months	–	–
Greater than 12 months	(1,426)	(1,426)

Deferred tax liabilities

	Tangible Assets £'000s	Total £'000s
At 31 March 2020	223	223
(Credit) to income statement	(7)	(7)
At 31 March 2021	216	216

There were £20.0 million of unused tax losses (2020: £16.9 million) on which deferred tax of £3.8 million (2020: £3.2 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	Total £'000s
At 31 March 2020	(1,508)	(1,508)
(Credit) to income statement	(20)	(20)
Charge to other comprehensive income	102	102
At 31 March 2021	(1,426)	(1,426)
Within 12 months	–	–
Greater than 12 months	(1,426)	(1,426)

21. Inventories

	31 March 2021 Group £'000s	31 March 2021 Company £'000s	31 March 2020 Group £'000s	31 March 2020 Company £'000s
Materials	1,225	–	4,227	–
Work in Progress	112	–	149	–
Finished Goods	2,260	–	2,447	–
	3,597	–	6,823	–
Continuing Business	3,597	–	4,249	–
Discontinued Business	–	–	2,574	–
	3,597	–	6,823	–

Inventories totalling £5,893k (2020: £6,823k) 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 2021 Group £'000s	31 March 2021 Company £'000s	31 March 2020 Group £'000s	31 March 2020 Company £'000s
Current trade and other receivables				
Trade receivables	5,941	–	9,828	15
Less: provision for impairment of receivables	(230)	–	(192)	–
Net trade receivables	5,711	–	9,636	15
Other receivables	762	120	220	215
Amounts owed by Group undertakings	–	7,620	–	70,811
Deferred consideration for disposals	50	50	50	50
Prepayments	725	65	326	34
Total	7,248	7,855	10,232	71,125
Amount due within 12 months	7,248	691	10,232	5,265
Amount due after 12 months	–	7,164	–	65,860
Total	7,248	7,855	10,232	71,125

At 31 March 2021, the Group had an outstanding balance on the revolving credit facility of £1,794k (2020: £1,853k) for which the trade receivables were pledged as security. The facility is available in relation to Brighter Foods, J F Renshaw and Rainbow Dust Colours GBP, USD, and EUR receivables.

Notes to the Financial Statements (continued)

Year ended 31 March 2021

22. Trade and other receivables continued

Provision for impairment of receivables

	31 March 2021 Group £'000s	31 March 2021 Company £'000s	31 March 2020 Group £'000s	31 March 2020 Company £'000s
At 31 March 2020	(192)	–	(108)	–
Charge for period	(38)	–	(84)	–
At 31 March 2021	(230)	–	(192)	–

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 2021, the lifetime expected credit loss for trade receivables in the Group is as follows:

	Less than 30 days old £'000s	30-60 days old £'000s	60-90 days old £'000s	90-365 days old £'000s	Over 365 days old £'000s	Total £'000s
Expected loss rate	1%	2%	3%	6%	100%	
Gross carrying amount	3,273	1,376	365	817	110	5,941
Loss provision	32	28	11	49	110	230

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 £38k (2020: charge of £84k) for impairment of its trade receivables during the period, to reflect debts significantly past their due dates.

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

Trade receivables of £1.1 million were past due but not impaired. The ageing analysis of these receivables is as follows:

	31 March 2021 Group £'000s	31 March 2020 Group £'000s
Up to 30 days past due	582	2,043
One to three months past due	204	413
Over three months past due	323	106
	1,109	2,562

23. Borrowings and capital management

	31 March 2021 Group £'000s	31 March 2021 Company £'000s	31 March 2020 Group £'000s	31 March 2020 Company £'000s
Secured borrowings at amortised cost				
Bank term loans	2,050	–	2,916	–
Revolving credit facilities	1,794	–	1,853	–
Leases	93	–	957	–
Other loans	–	–	102	–
Investor loans*	30,240	30,240	28,336	28,336
Convertible loan notes**	15,199	15,199	12,341	12,341
Government grants	–	–	228	–
	49,376	45,439	46,733	40,677
Borrowings due for settlement within 12 months	2,659	–	2,717	–
Lease liabilities due for settlement within 12 months	93	–	390	–
Borrowings due for settlement after 12 months	46,624	45,439	43,059	40,677
Lease liabilities due for settlement after 12 months	–	–	567	–
Total	49,376	45,439	46,733	40,677

* The investor loans shown consists of £20.6 million principal amount, £6.5 million accrued interest up to 31 March 2021 and redemption premiums of £3.1 million.

** Convertible loan notes shown at 31 March 2021 consist of £8.8 million investment (2020: £8.8 million), £6.3 million accrued interest (2020: £3.6 million), and £nil million of transaction costs (2020: £(0.1) million) being spread over the remaining life of the liability and a finance cost £0.1m resulting from a substantial modification to the Convertible Loan Note terms requiring derecognition of the existing loans and recognition of new loans.

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, then subsequently extended post year end to May 2023.

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 ("CLN's") 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 19 May 2022, then subsequently extended post year end to May 2023. 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 2023, 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 12 per cent 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 2021, the derivative liability was valued at £17k (2020: £nil).

The convertible loan notes shown consist of a host loan at amortised cost of £8.8 million, £6.3 million of finance costs and £0.1 million of costs resulting from substantial modification to the convertible loan notes up to 31 March 2021.

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.

Notes to the Financial Statements (continued)

Year ended 31 March 2021

23. Borrowings and capital management continued

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 2021, the Group continued with the borrowing facilities in place and secured loans from investors. As at 31 March 2021, 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 Limited, Rainbow Dust Colours Limited and Brighter Foods Limited 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 for 36 months ending August 2022. 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 2021 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 (£1.35m), Omnicane Investors Ltd (£1.35m)
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 2021, 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 Wavertree property.

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
2021						
Trade and other payables	7,138	893	56	–	–	8,087
Investor loans	–	–	–	20,562	–	20,562
Convertible loan notes	–	–	–	8,807	–	8,807
Bank term loans	72	144	649	1,185	–	2,050
Revolving credit facilities	–	–	1,794	–	–	1,794
Leases	8	15	70	–	–	93
NCI put option liability	1,553	–	–	–	–	1,553
	8,771	1,052	2,569	30,554	–	42,946
Interest	–	–	–	13,029	–	13,029
Redemption premiums	–	–	–	3,084	–	3,084
Total	8,771	1,052	2,569	46,667	–	59,059

	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

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 £112k. A 10% weakening of the US dollar would result in a decrease of pre-tax profits of £92k.
- With an excess of € liabilities to € assets a 10% strengthening of the Euro would result in a decrease in pre-tax profits of £37k. A 10% weakening of the Euro would result in an increase of pre-tax profits of £30k.

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.

Notes to the Financial Statements (continued)

Year ended 31 March 2021

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:

	Continuing Operations 31 March 2021 £'000s	Discontinued Operations* 31 March 2021 £'000s	31 March 2021 £'000s	31 March 2020 £'000s
Current lease liabilities	93	91	184	390
Non-current lease liabilities	–	456	456	567
	93	547	640	957

The maturity of lease liabilities as at 31 March 2021 is further analysed as set out below:

	Continuing Operations 31 March 2021 £'000s	Discontinued Operations* 31 March 2021 £'000s	31 March 2021 £'000s	31 March 2020 £'000s
Due in less than one year	93	91	184	390
Due between one to five years	–	257	257	336
Due in over five years	–	199	199	231
	93	547	640	957

* The lease liabilities relating to discontinued operations are shown as part of assets held for sale for Brighter Foods Limited in note 33.

Lease liabilities have been discounted using an average annual rate of 4.41% (2020: 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 £49k (2020: £15k).

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

	31 March 2021 Group £'000s	31 March 2020 Group £'000s
Lease liability at 1 April 2020	957	1,464
Lease additions	63	–
Leases terminated	(4)	–
Repayments of lease liabilities	(402)	(519)
Interest expense	26	12
Less assets classified as discontinued operations	(547)	–
Lease liability at 31 March 2021	93	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 2021 Group £'000s	31 March 2021 Company £'000s	31 March 2020 Group £'000s	31 March 2020 Company £'000s
Amount due within one year				
Trade payables	3,837	186	4,419	28
Other tax & social security	377	15	1,326	22
Accruals	3,400	479	2,640	698
Amounts owed to Group undertakings	–	20,154	–	81,546
Other payables	473	11	712	–
Total	8,087	20,845	9,097	82,294

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 2021 Group £'000s	31 March 2021 Company £'000s	31 March 2020 Group £'000s	31 March 2020 Company £'000s
Loans and receivables at amortised cost				
Cash and cash equivalents	622	17	1,363	8
Cash collateral	215	215	215	215
Trade receivables	5,711	–	9,828	15
Other debtors	762	120	220	215
Deferred consideration	50	50	50	50
Amounts owed by Group undertakings	–	7,620	–	70,811
	7,360	8,022	11,676	71,314
Financial liabilities at amortised cost				
Trade payables	3,837	186	4,419	28
Accruals	3,400	479	2,640	698
Other payables	473	11	1,535	–
Bank term loans	2,050	–	2,916	–
Revolving Credit Facility	1,794	–	1,853	–
Lease assets	93	–	957	–
Investor loans	30,240	30,240	28,336	28,336
Convertible loan notes	15,199	15,199	12,341	12,341
Amounts owed to Group undertakings	–	20,154	–	81,546
	57,086	66,269	54,997	122,949
Financial liabilities at fair value through profit and loss				
NCI put option	1,553	–	4,420	–
Derivative liability - Convertible loan notes	17	17	–	–
	1,570	17	4,420	–
Total financial liabilities	58,656	66,286	59,417	122,949

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.

Notes to the Financial Statements (continued)

Year ended 31 March 2021

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 2021	Number of Shares 2020	31 March 2021 £'000s	31 March 2020 £'000s
Allotted, called up and fully paid equity share capital				
At the beginning of the year (1 April)	99,564,430	99,326,335	1,991	1,987
Issued in the year	–	238,095	–	4
At the end of the year (31 March)	99,564,430	99,564,430	1,991	1,991

The ordinary shares have a par value of £0.02. 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 2020 relate to employee options being exercised.

There are 33,333 shares reserved for issue under options, with expiry dates beyond 2021, 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 2021 Number of Share Options	31 March 2021 Weighted Average Exercise Price (£)	31 March 2020 Number of Share Options	31 March 2020 Weighted Average Exercise Price (£)
Outstanding at the beginning of the period	4,060,835	0.26	5,554,550	0.23
Exercised during the year	–	–	(238,095)	(0.05)
Forfeited during the year	(4,027,502)	(0.25)	(1,255,620)	(0.39)
Outstanding at the end of the period*	33,333	0.45	4,060,835	0.26
Exercisable at the end of the period	33,333	0.45	4,060,835	0.26

* All of the outstanding options have an exercise price within the range of £0.45 in 2021 (2020: between £0.00 and £0.46). The weighted average remaining contractual life of share options outstanding at the end of the period is 4.1 years (2020: 1.3 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 £200k (2020: a credit of £35k). This is shown in administration expenses in the Company as the charge relates to employees of the Company.

30. Commitments

Capital commitments

	31 March 2021 £'000s	31 March 2020 £'000s
Commitments for the acquisition of property, plant, and equipment	74	177

Notes to the Financial Statements (continued)

Year ended 31 March 2021

31. Related party transactions

There have been no consultancy fees paid to entities in which Directors hold a beneficial interest.

Further to the disposal of Brighter Foods Limited on 11 May 2020 (a post-year end activity), each of NB. Ingredients Limited (“Napier Brown”), Omnicane International Investors Limited (“Omnicane”), and certain funds managed by Downing LLP (“Downing”) (together the “Major Shareholders”) each agreed to contribute £0.18 million towards the costs incurred by the Group in relation to the Disposal.

The total contribution of £0.54 million is by way of a waiver of certain of the outstanding loan notes held by each of the Major Shareholders (the “Loan Note Waivers”) reducing the amount of loan notes outstanding to £22.0 million. This waiver has been agreed in respect of certain costs related to the Disposal. The £540,000 attributable to waiver is split between c.£0.35 million of capital, £0.1 million relating to management compensation with the remainder being in respect of interest and redemption premium.

As Napier Brown and Omnicane are substantial shareholders of the Company and Judith MacKenzie, a director of the Company, is also a Partner of Downing, each of the Loan Note Waivers are deemed to be related party transactions pursuant to the AIM Rules for Companies. Maribeth Keeling, Mike Holt, and Gail Lumsden, the Independent Directors of the Company for this purpose, having consulted with the Company’s Nominated Adviser, finnCap Ltd, consider the terms of the Loan Note Waivers to be fair and reasonable insofar as the Company’s shareholders are concerned.

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 2021 £'000s	12 months ended 31 March 2020 £'000s
Brighter Foods Ltd	240	240
J F Renshaw Ltd	720	720
Rainbow Dust Colours Ltd	60	60
	1,020	1,020

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 2021 £'000s	12 months ended 31 March 2020 £'000s
Brighter Foods Ltd	7,872	4,660
Eurofoods plc	69	69
J F Renshaw Ltd	7,558	66,017
RGF Devizes Ltd	1,248	1,248
Rainbow Dust Colours Ltd	786	7,737
Real Good Food Ingredients Ltd (discontinued)	1,803	1,815
N Brown Foods Ltd	818	–
	20,154	81,546

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 2021 £'000s	12 months ended 31 March 2020 £'000s
Brighter Foods Ltd	144	144
J F Renshaw Ltd	5,063	5,097
N Brown Foods Ltd	–	57,659
Rainbow Dust Colours Ltd	312	175
Renshaw Europe SA	1,082	1,103
Renshaw USA Incorporated	230	254
RGFC Dust Ltd	755	6,345
Real Good Food Ingredients Ltd (discontinued)	34	34
	7,620	70,811

32. Pension 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 2021. This has resulted in a deficit in the Plan of £7,505k. 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 2021 £'000s	31 March 2020 £'000s	31 March 2019 £'000s	31 March 2018 £'000s	31 March 2017 £'000s
Present value of defined benefit obligation	21,885	20,750	21,177	21,448	21,319
Fair value of Plan assets	(14,527)	(13,735)	(13,774)	(13,529)	(13,946)
Deficit in Plan	7,358	7,015	7,403	7,919	7,373
Effect of asset ceiling/IFRIC14	147	921	–	–	–
Gross amount recognised	7,505	7,936	7,403	7,919	7,373
Deferred tax*	(1,426)	(1,508)	(1,258)	(1,094)	(1,120)
Net liability	6,079	6,428	6,145	6,825	6,253

* Deferred tax rate 2020 & 2021: 19%, 2017, 2018 & 2019: 17%

Notes to the Financial Statements (continued)

Year ended 31 March 2021

32. Pension arrangements continued

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

	31 March 2021 £'000s	31 March 2020 £'000s
Defined benefit obligation at start of period	20,750	21,177
Interest cost	465	497
Actuarial losses / (gains)	1,698	(8)
Past service cost	–	16
Benefits paid	(1,028)	(932)
Defined benefit obligation at end of period	21,885	20,750

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

	31 March 2021 £'000s	31 March 2020 £'000s
Fair value of Plan assets at start of period	13,735	13,774
Interest income on Plan assets	312	328
Return on assets less interest income	788	(168)
Contributions paid by the Group	720	733
Benefits paid, death-in-service insurance premiums and expenses	(1,028)	(932)
Fair value of Plan assets at end of period	14,527	13,735
UK equities	2,408	2,210
Other investments	12,119	11,525
Total plan assets at end of period	14,527	13,735

The actual return on the Plan assets over the period ended 31 March 2021 was £1,100k (2020: £(82)k).

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

	31 March 2021 £'000s	31 March 2020 £'000s
Interest on liabilities	465	497
Interest on assets	(312)	(328)
Interest on effect of asset ceiling / IFRIC 14	29	–
Net interest cost	182	169
Past service cost	–	16
Total cost	182	185

Statement of recognised income and expenses

	31 March 2021 £'000s	31 March 2020 £'000s
Actuarial gain/(loss) on the Plan assets	788	(168)
Actuarial gain/(loss) on the Plan liabilities arising from changes in demographic assumptions	17	(151)
Actuarial (loss)/gain on the Plan liabilities arising from changes in financial assumptions	(1,715)	143
Change in the effect of the asset ceiling / IFRIC14	803	(921)
Total amount recognised in Statement of Other Comprehensive Income	(107)	(1,097)

32. Pension arrangements continued

Assets

	31 March 2021 £'000s	31 March 2020 £'000s	31 March 2019 £'000s
UK equity	2,408	2,210	2,667
Absolute return fund	1,412	1,522	1,013
Corporate Bonds	2,936	2,746	2,699
Gilts	2,769	3,112	3,137
Multi-Asset Funds	4,827	3,927	4,055
Cash	175	218	203
Total assets	14,527	13,735	13,774

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 2021 £'000s	31 March 2020 £'000s	31 March 2019 £'000s	31 March 2018 £'000s
Inflation	3.40	2.70	3.30	3.10
Salary increases	–	–	–	–
Rate of discount	2.00	2.30	2.40	2.65
Allowance for pension in payment increases				
RPI max 5%	3.30	2.70	3.10	3.00
RPI min 3% max 5%	3.60	3.20	3.50	3.40
Allowance for revaluation of deferred pensions	2.70	2.20	2.30	2.10
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 2018 and then making appropriate adjustments for known experience and for differences in assumptions.

The mortality assumptions adopted at 31 March 2021 and 31 March 2020 imply the following life expectancies from age 65:

	31 March 2021	31 March 2020
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	25 years

The weighted-average duration of the defined benefit obligation at 31 March 2021 was 15 years (2020: 15 years).

Notes to the Financial Statements (continued)

Year ended 31 March 2021

32. Pension arrangements continued

Historic funding positions

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

	12 months ended 31 March 2021 £'000s	12 months ended 31 March 2020 £'000s	12 months ended 31 March 2019 £'000s	12 months ended 31 March 2018 £'000s	12 months ended 31 March 2017 £'000s
Fair value of assets	14,527	13,735	13,774	13,529	13,946
Defined benefit obligation	(21,885)	(20,750)	(21,177)	(21,448)	(21,319)
Effect of asset ceiling / IFRIC14	(147)	(921)	–	–	–
(Deficit) in scheme	(7,505)	(7,936)	(7,403)	(7,919)	(7,373)
Experience adjustment on scheme assets	–	(168)	518	(232)	652
Experience adjustment on scheme liabilities	–	–	427	–	(103)

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 2021.

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 Directors began the process for the sale of Brighter Foods Limited as a going concern and at 31 March 2021, the Group had entered into an exclusivity contract with The Hut Group. The sale was completed in May 2021.

The assets classified as held for sale within the consolidated statement of financial position at 31 March 2021 are as follows:

	Real Good Food Plc	N Brown Foods Limited	Brighter Foods Limited	31 March 2021 £'000s	Real Good Food Plc	N Brown Foods Limited	31 March 2020 £'000s
Goodwill	–	–	5,031	5,031	–	–	–
Plant and equipment	–	–	4,457	4,457	–	–	–
Property (land and buildings)	1,000	148	814	1,962	1,000	148	1,148
Right of use assets (IFRS 16)	–	–	563	563	–	–	–
Stock	–	–	2,296	2,296	–	–	–
Trade and other receivables	–	–	3,390	3,390	–	–	–
Cash	–	–	2,458	2,458	–	–	–
Total assets held for sale	1,000	148	19,009	20,157	1,000	148	1,148
Trade and other payables	–	–	3,598	3,598	–	–	–
Hire purchase	–	–	167	167	–	–	–
IFRS16 Lease liabilities	–	–	547	547	–	–	–
Deferred income	–	–	130	130	–	–	–
Liabilities held for sale	–	–	4,442	4,442	–	–	–

The statement of cash flows includes the following amounts in relation to Brighter Foods Limited:

	12 months ended 31 March 2021 £'000s
Operating activities	1,224
Investing activities	234
Financing activities	(156)
Net cash from discontinued operation	1,302

Notes to the Financial Statements (continued)

Year ended 31 March 2021

34. Contingent liability

The Directors have taken legal advice regarding a communication from the liquidators of Five Star Fish Limited (FSF) regarding a claim for repayment of an alleged £610k debt owed by RGF to FSH. The Directors have the view, following the legal advice, that the claim is not valid and accordingly have not made a provision for it within the accounts.

35. Post-year end activities

1. Disposal of Brighter Foods Limited on 11 May 2021 for an aggregate cash consideration of £43.0 million on a cash free/debt free basis to The Hut Group plc (“THG”). RGF, through its subsidiary NBF, has an interest in 84.334 per cent. of the issued share capital of Brighter Foods Limited with the balance owned by Brighter’s Managers. The Group received cash proceeds of £35.64 million.
2. In May 2021, the Group made a payment of £8.5m net consideration to the Continuing Group’s pension scheme (the Napier Brown Retirement Plan) (the “Plan”), which is broadly equivalent to the Plan’s low dependency technical provisions basis. As such, it is expected that the Group will not have to pay further deficit contributions, which currently amount to £1.0 million per annum, until a new schedule of contributions is agreed based on the valuation to be agreed as at 31 March 2021 for the Plan; such agreement would take into account this cash injection, which may result in payments of up to £1.5 million (in aggregate) being paid between 1 January 2023 and 30 June 2025 to close the gap towards a buy-out basis.
3. In May 2021, the Group paid £23.1 million to the Loan Note Holders, reducing the amount repayable from £45.6 million to £22.5 million in respect of the loan notes, resulting in a significant reduction in the financial liabilities attached to the loan notes. Also, in May 2021 the Loan Note Holders waived £0.5m of certain of the outstanding loan notes held by each of the Major Shareholders (the “Loan Note Waivers”) reducing the amount of loan notes outstanding to £22.0 million. This waiver has been agreed in respect of certain costs related to the Disposal. The £540,000 attributable to waiver is split between c.£350,000 of capital, £100,000 relating to certain management compensation with the remainder being in respect of interest and redemption premium.
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 Amendment Deed amends the final repayment dates of each of the Agreements, including the convertible loan notes; they have all been extended to 19 May 2023 (the “Final Repayment Date”) with no further change to the interest rate payable by the Company pursuant to each Agreement.
5. At the forthcoming AGM, the Independent Directors, with the support of the rest of the Board, will be proposing that the Company cancels the listing of the Company’s shares on AIM. This is expected to save approximately £150,000 a year in costs and provide greater flexibility and agility to maximise shareholder value.

Advisors and Company Information

Directors

M J Holt
M Keeling
J M d'Unienville
A P Ridgwell
J A Mackenzie
G Lumsden

Company Secretary

M Keeling

Registered Office

61 Stephenson Way
Wavertree
Liverpool
L13 1HN

Registered Number

04666282

Auditor

BDO LLP
3 Hardman Street
Spinningfields
Manchester
M3 3AT

Solicitors

Walker Morris LLP
Kings Court
12 King Street
Leeds
LS1 2HL

Nominated Advisor and Broker

finnCap Ltd
60 New Broad Street
London
EC2M 1JJ

Banker

Lloyds Bank plc
5 St Paul's Square
Old Hall Street
Liverpool
L3 9SJ

Real Good Food plc

61 Stephenson Way, Wavertree,
Liverpool L13 1HN
T: 0151 706 8200
enquiries@realgoodfoodplc.com
www.realgoodfoodplc.com