

29 November 2019

**Real Good Food plc**

**("Real Good Food" or "the Company")**

**Half year results for six months ended 30 September 2019**

***Improved underlying performance benefitting from focus on two core divisions***

Real Good Food plc, (AIM: RGD) the diversified food business, today announces its half year results for the six months ended 30 September 2019.

**Financial highlights:**

- Revenue from continuing operations increased by 7% to £32.4 million (2018: £30.4 million)
- Underlying adjusted EBITDA\* from continuing operations increased 201% to £2.8 million (2018: £0.9 million)
  - Reflecting strong growth in Food Ingredients and cost savings across the Group
- Significantly reduced loss before tax of £2.5 million (2018: loss of £9.1 million)
- Net debt at 30 September 2019 of £39.9 million (30 September 2018: £29.9 million; 31 March 2019: £35.7 million), being principally comprised of shareholder loans. The September 2018 net debt balance includes the sale proceeds from Hayden's of £12 million
- New £8.9 million credit facility secured in August 2019 with Leumi ABL Ltd, enabling the Group to reduce the level of shareholder debt by £4.5m
  - Intention to move towards a more normalised and simplified capital structure as the Group continues to improve its profitability and cash flow

**Operational highlights of the year to date:**

- Further strengthening of the Board and senior management team with the appointments of:
  - Steve Moon as Chief Executive of Cake Decoration in August
  - Gail Lumsden as independent Non-Executive Director in October
  - Paul Richardson as Executive Director in October
- Continued progress in line with strategy of developing two core, profitable businesses:
  - Food ingredients (Brighter Foods) - 77% increase in underlying adjusted EBITDA to £2.5 million (2018: £1.4 million) reflected significant growth with new and existing customers and benefit of recent investment in additional capacity
  - Cake Decoration (Renshaw) - underlying adjusted EBITDA reduced to £0.6 million (2018: £1.3 million) due to short term challenges in its retail market and operational issues, despite good progress with its turnaround

**Current trading and outlook**

- Trading remains in line with our expectations for the year in both divisions:
  - Food Ingredients is well-placed to capitalise on its unique capabilities to meet the growing demand for production capacity within the snack bars sector
  - Cake Decoration sales are in line with expectations, with a major improvement programme launched focussed on developing strategic partnerships with customers and distributors and driving operational improvements

*\* Underlying adjusted EBITDA represents earnings before depreciation, amortisation, impairments, significant items, finance costs and tax.*

**Mike Holt, Non-executive Chairman, said:**

“The Group has made significant progress over the past six months, especially within Food Ingredients where capacity has doubled and is almost fully utilised with strong order intake and commitments from both new and existing customers. Whilst Cake Decoration has had a difficult period, its new Chief Executive has launched a major improvement programme focussed on developing strategic partnerships with customers and distributors and driving fundamental operational improvements, the benefits of which are beginning to come through.

The Group now has two core businesses with clear growth strategies, and the leadership and resources to deliver upon them. With a lower cost base in place and the Group’s improving performance increasingly evident, the Board is confident of delivering further progress in the second half and beyond.”

**Enquiries:**

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**About Real Good Food**

Real Good Food plc is a food manufacturing business serving several market sectors including retail (own label and private label), manufacturing and export. The Company has two businesses, Cake Decoration (Renshaw and Rainbow Dust Colours) and Food Ingredients (Brighter Foods), with leading brands in their chosen markets. <http://www.realgoodfoodplc.com>

The information communicated in this announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) No. 596/2014.

## Chairman's Statement

I am pleased to report that Real Good Food has made significant progress over the past six months and is reporting a profit at EBITDA level, significantly ahead of the same period last year.

This improved financial performance principally reflects stellar results at Food Ingredients where capacity has doubled and is almost fully utilised with strong order intake and commitments from both new and existing customers. This, together with further cost savings at Group level, more than compensated for a more difficult trading period for Cake Decoration which faced some operational issues and the acquisition of a key US customer. However, since his appointment as MD Cake Decorations in August, Steve Moon has launched a major improvement programme focussed on developing strategic partnerships with customers and distributors and driving fundamental operational improvements. Benefits from these initiatives are beginning to come through. It's pleasing to note that a deal was signed last month with Decopac making them the sole distributor for Cake Decoration products in the North American sugarcraft, in-store bakery and foodservice markets.

As previously reported, in August 2019 the Group secured a new credit facility with Leumi which is the first of several steps being taken to reduce investor loans and loan notes; the goal being to have a more simplified and normal capital structure as the Group continues to improve its profitability and cash flow.

To further strengthen the Board, I am pleased to welcome Paul Richardson and Gail Lumsden as directors of the Company. Paul joined the Board as an Executive Director on 15 October. His experience brings expertise in culture, strategy implementation, governance and compliance, which will complement the strategic and operational focus of the Managing Directors of our Brighter Foods and Renshaw businesses. Gail joined the Board as an independent Non-Executive Director on 24 October, replacing Steve Dawson who stepped down due to other commitments. Gail has significant experience driving profitable growth and leading change worldwide in both large corporates and SMEs which will be of great benefit to the Group. Gail will chair the Remuneration Committee. We now have a better balance of executive, non-executive, and independent non-executive directors on the Board, in line with our commitment to improve corporate governance. The balance of the Board will be kept under review as the Group's financial performance and position improves further.

The Board remains confident that the actions being taken by management are the right ones and that they will deliver benefits in the current year and provide a solid foundation for the future.

## Overview

### Results

The period under review saw continuing corporate activity, including further restructuring of the Group to focus on our two core divisions, being Cake Decoration and Food Ingredients. The refinancing of the Group with a new term loan, increased asset based loans and a revolving credit facility enabling us to repay some of the investor loans. At the same time, the underlying performance of continuing operations improved, reflecting the cost savings made across the Group. Overall a profit was reported on continuing operations at the Group underlying adjusted EBITDA level (underlying adjusted EBITDA is defined as earnings before significant items, impairment, interest, tax, depreciation and amortisation) of £2.8 million (2018: £0.9 million), an increase of over 200 percent. Measuring the Group's performance against underlying adjusted EBITDA shows the operational performance of the Group without the distorting effects of the costs of finance and other significant items.

The loss before tax was £2.5 million (2018: loss of £9.1 million). Following a review at the half year, there has been no further impairment of the Cake Decorations business reflecting the significant operating cost reductions and the turnaround project underway. The Directors are confident that the business has strong long-term growth potential and that it will be restored to greater profitability over the coming months.

	6 months ended 30 Sept 2019 £000's	6 months ended 30 Sept 2018 £000's
<b>Loss before tax from continuing operations</b>	<b>(2,506)</b>	<b>(9,092)</b>
Depreciation of property, plant and equipment	1,075	753
Amortisation of intangibles	735	737
Impairment	-	6,281
Significant items	547	382
Finance costs	2,855	1,783
Other finance costs	88	85
<b>Underlying adjusted EBITDA from continuing operations</b>	<b>2,794</b>	<b>929</b>

In order to normalise the Group's funding arrangements, the Group refinanced in August 2019 with Leumi ABL Ltd securing a total credit facility of £8.9m. As part of the refinancing, the Group was also able to reduce the level of shareholder debt by £4.5m. Although the Group's level of debt outstanding remains high, the refinancing provides stability to enable the Group to move forward and invest in growth opportunities.

#### Investment in growth

The investment during FY19 in Brighter Foods (Food Ingredients) with a new production facility has resulted in significant sales growth in FY20. The business continues to be well-placed to capitalise on its unique capabilities to meet the growing demand for production capacity within the snack bars sector. The commissioning of an investment in Renshaw's (Cake Decoration) soft icing capacity is also progressing to plan, positioning the Company well for the uplift in demand seen within this category; industry data (Kantar) shows soft icing as a category has a retail market value of £20.6m and grew by 17.6% in the year to 8 September 2019.

#### Outlook and Current Trading

For the year to date, the performance of each of the businesses is aligned with the Board's expectations and central costs are also in line. The Cake Decoration market in the UK, particularly in the retail sector, is proving increasingly competitive but we are confident that we can leverage our fund of experience and expertise to deliver what our customers need and want. The Cake Decoration business has recently welcomed a new Managing Director, Steve Moon, whose experience of the sector and business improvement credentials are such that we have high hopes of him continuing the successful implementation of the newly articulated strategy for that business.

The Food Ingredients division's growth plans are also now progressing under well-established, experienced management and the future for both businesses look justifiably bright. The uncertainties of Brexit for the business community continue, of course, and we are mindful that the Cake Decoration business has European marketing and distribution operations which may be impacted.

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

Overall, following a difficult period and significant change, the Group now has two core businesses with clear growth strategies, and the leadership and resources to deliver upon them. With a lower cost base in place and the Group's improving performance increasingly evident, the Board is confident of delivering further progress in the second half and beyond.

## Finance Review (continuing operations)

<i>Results of continuing operations:</i>	6 months ended 30 Sept	6 months ended 30 Sept
	2019	2018
	£000's	£000's
External Revenue	32,423	30,356
Gross profit	13,718	9,233
Underlying adjusted EBITDA	2,794	929
Operating profit/(loss)	437	(7,224)
Operating profit/(loss) %	1.3%	(23.8%)
Loss before tax	(2,506)	(9,092)

Group revenue for the six months ended 30 September 2019 was £32.4 million (2018: £30.4 million), 7% ahead of the prior year as a result of increased trading in the Food Ingredients division, a result of the investment in FY19. Gross profit on the continuing business for the overall Group was £13.7 million (2018: £9.2 million). The Cake Decoration and Food Ingredients gross profit in the first half improved significantly.

Underlying adjusted EBITDA for continuing operations at £2.8 million was £1.9 million ahead of prior year reflecting the revenue growth and cost savings made across the Group. Loss before tax for the six months ended 30 September 2019 at £2.5 million was £6.6 million lower than the same period in the prior year. This reflected the gain within underlying adjusted EBITDA of £1.9 million which was offset by additional interest charges on loans of £1.1 million, and no impairment charge required unlike the previous year when £6.3 million was reported.

Net debt at 30 September 2019 amounted to £39.9 million (2018: £29.9 million). The increase in net debt arose from the additional borrowings following the refinancing, additional accrued interest on shareholder loans and the creation of leased asset commitments following the adoption of IFRS 16. Net debt was principally from loans and accrued interest from shareholders of £26.1 million, convertible loan notes ("CLNs") at fair value of £8.4 million, asset financing of £3.3 million, Brighter Foods government grant of £0.3 million, leased asset commitments of £0.5 million and revolving credit facilities of £2.0 million. Cash in the bank stood at £1.2 million. Net debt is calculated as total borrowings less cash and cash equivalents (see note 8).

### IFRS 16 Leases

We have adopted IFRS 16 Leases from 1 April 2019, capitalising assets financed through operating leases, and substituting operating costs with interest and depreciation. The Group has applied the modified retrospective method with no changes to the comparative accounting periods and has measured the asset at the lease liability at 1 April 2019.

### Dividend

No dividend is proposed for the six months ended 30 September 2019 (2018: nil).

### 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.

In the 6 months to 30 September 2019 the deficit in the defined benefit scheme increased by £1.2 million to £8.6 million compared to 31 March 2019 including an additional provision under IFRIC14 for the excess of contributions over the liability previously recognised of £0.5 million. The plan assets increased by £1.4 million to £15.1 million and the plan liabilities are £23.8 million including the additional IFRIC14 liability compared to £21.2 million at 31 March 2019 (see note 6).

### Cash Flow

The net decrease in cash and cash equivalents for the period was £1.7 million. The cash received together with funds received from the refinancing was principally used to repay some of the investor loans with £4.5 million, fund working capital of £3.4 million and investment in plant and machinery £1.4 million. The plant and machinery is for Food Ingredients and has allowed them to secure a new building from November 18 housing a new production line. The production line has been instrumental in increasing the sales in Food Ingredients by 81%.

## Divisional Business Reviews

### Cake Decoration

Cake Decoration manufactures sugarpaste, marzipan, soft icings, mallows and caramels, under the Renshaw Professional brand and for private label. The division also produces a range of edible glitters, dusts, powders, food paints and pens for the sugar craft sector, through the Rainbow Dust Colours brand. Renshaw Europe and Renshaw Americas sell these products in their respective territories.

	6 months ended 30 Sept 2019 £000's	6 months ended 30 Sept 2018 £000's
External Revenue	19,922	22,186
Underlying adjusted EBITDA	637	1,298
Loss before tax	(571)	(5,503)

External revenue was £19.9 million (2018: £22.2 million) a decline of 10%. There have been challenges within the Retail sector, with pressure on sales in icing and marzipan driven by underlying market decline. Renshaw North America signed an exclusive distribution agreement with Decopac, the largest supplier of cake decorations to professional cake decorators and bakeries in the US in September 2019. The underlying adjusted EBITDA at £0.6 million is a decline of £0.7 million on the prior year, driven by pressure on margins and the delay in commissioning soft icing's new equipment, which is due for completion in January 2020. The loss before tax stood at £0.6 million. Sales of soft icings is a double-digit growth opportunity and one that J F Renshaw is well placed to benefit from.

Full year sales are anticipated to be in line with management expectations, with ongoing cost savings to deliver benefit in FY20.

### Impairment Review

The Cake Decoration division is a core division for the Group and is currently in turnaround. The investments made in manufacturing capability in the last couple of years have not yet started to deliver the returns that could be expected and the Board believes that the current results, reflected here, is not a reflection of the potential of this division. Plans to improve the strategic positioning, service delivery and commercial performance of this business are in progress. There is no impairment charge required in the current period. The impairment review for the period to 30 September 2018 resulted in an impairment charge of £6.3 million.

### Food Ingredients

Brighter Foods manufactures snack bars, both branded and own label, targeted at the growing health and 'healthy lifestyle' markets.

<i>continuing operations only:</i>	6 months ended 30 Sept 2019 £000's	6 months ended 30 Sept 2018 £000's
External Revenue	12,490	6,908
Underlying adjusted EBITDA	2,547	1,443
Profit before tax	1,552	638

The period saw an increase in revenue of 81% with underlying adjusted EBITDA at £2.5 million (2018: £1.4 million), or £1.1 million ahead of prior year, which was in line with management's expectations. This performance reflected significant growth with both new and existing customers using the additional capacity available. Profit before tax of £1.6 million (2018: £0.6 million) is £0.9 million ahead of the prior year.

A review of the intangible assets in Food Ingredients has resulted in no requirement for any impairment (2018: Nil).

## Head Office

*The Group functions of Finance, Human Resources and Information Services provide support and best practice guidance to the businesses as required.*

	6 months ended 30 Sept 2019 £000's	6 months ended 30 Sept 2018 £000's
External Revenue	11	-
Underlying adjusted EBITDA	(390)	(1,785)
Loss before tax	(3,487)	(4,190)

The underlying adjusted EBITDA loss was £0.4 million, an improvement of £1.4 million on the prior year owing to the continuing cost savings made centrally. The loss before tax of £3.5 million reflects the reduction in significant costs in the period, which were more than offset by the additional interest charges on the shareholder loans.

This report was approved by the Board on 28 November 2019 and is signed on its behalf by:

**Paul Richardson**  
Executive Director

## Independent review report to Real Good Food plc

### Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 which comprises the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, and related notes.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

### Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of and has been approved by the directors. The directors are responsible for preparing the interim report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the Company's annual accounts having regard to the accounting standards applicable to such annual accounts.

### Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2019 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

### Use of our report

Our report has been prepared in accordance with the terms of our engagement to assist the Company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

BDO LLP  
Chartered Accountants  
Manchester  
United Kingdom  
28 November 2019



## Consolidated Statement of Comprehensive Income

	Notes	unaudited 6 months ended 30 Sept 2019 £000's	unaudited 6 months ended 30 Sept 2018 £000's	audited 12 months ended 31 Mar 2019 £000's
<b>Revenue</b>		<b>32,423</b>	<b>30,356</b>	<b>61,560</b>
Cost of sales		(18,705)	(21,123)	(43,533)
<b>Gross profit</b>		<b>13,718</b>	<b>9,233</b>	<b>18,027</b>
Distribution expenses		(1,629)	(1,635)	(3,415)
Administrative expenses		(11,105)	(8,159)	(15,738)
Impairment charge	7	-	(6,281)	(18,675)
Significant items	7	(547)	(382)	(1,717)
<b>Operating profit/(loss)</b>		<b>437</b>	<b>(7,224)</b>	<b>(21,518)</b>
Finance costs		(2,855)	(1,783)	(4,406)
Other finance costs		(88)	(85)	(166)
<b>Loss before tax</b>		<b>(2,506)</b>	<b>(9,092)</b>	<b>(26,090)</b>
Income tax (expense)/ credit		(3)	6	349
<b>Loss from continuing operations</b>		<b>(2,509)</b>	<b>(9,086)</b>	<b>(25,741)</b>
Loss from discontinued operations		-	(3,390)	(6,243)
<b>Net loss</b>		<b>(2,509)</b>	<b>(12,476)</b>	<b>(31,984)</b>
<b>Attributable to:</b>				
Owners of the parent		(2,860)	(12,686)	(32,321)
Non-controlling interests		351	210	337
<b>Net loss</b>		<b>(2,509)</b>	<b>(12,476)</b>	<b>(31,984)</b>
<b>Items that will not be reclassified to profit or loss</b>				
Foreign exchange differences on translation of subsidiaries		(2)	(67)	(32)
Actuarial (loss)/gain on defined benefit plan		(840)	575	441
Pension provision IFRIC 14	6	(517)	-	-
Tax relating to items which will not be reclassified		231	(98)	(75)
<b>Other comprehensive (loss)/income</b>		<b>(1,128)</b>	<b>410</b>	<b>334</b>
<b>Total comprehensive loss for the period</b>		<b>(3,637)</b>	<b>(12,066)</b>	<b>(31,650)</b>
<b>Attributable to:</b>				
Owners of the parent		(3,988)	(12,276)	(31,987)
Non-controlling interests		351	210	337
<b>Total comprehensive loss for the period</b>		<b>(3,637)</b>	<b>(12,066)</b>	<b>(31,650)</b>
		<b>30 Sept 2019</b>	<b>30 Sept 2018</b>	<b>31 Mar 2019</b>
<b>Basic and diluted loss per share - total operations</b>	<b>3</b>	<b>(2.88)p</b>	<b>(14.64)p</b>	<b>(35.49)p</b>
Basic and diluted loss per share - continuing operations		(2.88)p	(10.73)p	(28.64)p
Basic and diluted loss per share - discontinued operations		-	(3.91)p	(6.85)p

## Consolidated Statement of Financial Position

	Notes	unaudited 30 Sept 2019 £000's	unaudited 30 Sept 2018 £000's	audited 31 Mar 2019 £000's
<b>NON-CURRENT ASSETS</b>				
Goodwill	9	50,375	62,769	50,375
Other intangible assets		864	2,431	1,599
Tangible fixed assets		17,632	14,640	16,578
Investments		81	81	81
Deferred tax asset		1,490	1,129	1,259
		<b>70,442</b>	<b>81,050</b>	<b>69,892</b>
<b>CURRENT ASSETS</b>				
Inventories		6,637	7,042	6,840
Trade and other receivables		10,426	8,043	8,614
Current tax assets		5	-	52
Cash collateral		215	2,000	2,000
Cash and cash equivalents		1,178	10,473	2,909
		<b>18,461</b>	<b>27,558</b>	<b>20,415</b>
Assets in disposal groups classified as held for sale	10	148	<b>7,837</b>	<b>148</b>
<b>TOTAL ASSETS</b>		<b>89,051</b>	<b>116,445</b>	<b>90,455</b>
<b>CURRENT LIABILITIES</b>				
Trade and other payables		9,096	11,457	10,629
Borrowings	8	2,402	4,417	668
NCI put option	1	2,377	-	-
Current tax liability		-	54	-
		<b>13,875</b>	<b>15,928</b>	<b>11,297</b>
<b>NON-CURRENT LIABILITIES</b>				
Borrowings	8	38,719	35,996	37,961
NCI put option	1	2,705	4,796	4,997
Derivative liability - Convertible Loan Notes	8	278	345	294
Deferred tax liabilities		1,881	2,043	1,881
Retirement benefit obligation	6	8,615	5,777	7,403
		<b>52,198</b>	<b>48,957</b>	<b>52,536</b>
Liabilities directly associated with assets in disposal groups classified as held for sale		-	<b>3,843</b>	-
<b>TOTAL LIABILITIES</b>		<b>66,073</b>	<b>68,728</b>	<b>63,833</b>
<b>NET ASSETS</b>		<b>22,978</b>	<b>47,717</b>	<b>26,622</b>
<b>EQUITY</b>				
Share capital		1,991	1,971	1,987
Share premium account		3,294	3,262	3,286
Share option reserve		219	310	238
Other reserve		(4,796)	(4,796)	(4,796)
Foreign exchange translation reserve		(21)	(54)	(19)
Retained earnings		19,800	45,011	23,786
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>20,487</b>	<b>45,704</b>	<b>24,482</b>
Non-controlling interest		2,491	2,013	2,140
<b>TOTAL EQUITY</b>		<b>22,978</b>	<b>47,717</b>	<b>26,622</b>

## Consolidated Statement of Changes in Equity

For the six months ended 30 September 2019 (unaudited)	Issued Share Capital £'000s	Share Premium Account £'000s	Share Option Reserve £'000s	Other Reserve £'000s	Foreign Translation Reserve £'000s	Retained Earnings £'000s	Total £'000s	Non-Controlling Interest £'000s	Total Equity £'000s
Balances at 1 April 2019	1,987	3,286	238	(4,796)	(19)	23,786	24,482	2,140	26,622
<b>Total comprehensive loss for the period</b>							-		-
Loss for the period	-	-	-	-	-	(2,860)	(2,860)	351	(2,509)
Other comprehensive loss	-	-	-	-	(2)	(1,126)	(1,128)	-	(1,128)
<b>Total comprehensive loss for the period</b>	-	-	-	-	(2)	(3,986)	(3,988)	351	(3,637)
<b>Transactions with owners of the Group, recognised directly in equity</b>									
Shares issued in the period, net of costs	4	8	-	-	-	-	12	-	12
Share based payments	-	-	(19)	-	-	-	(19)	-	(19)
<b>Total contributions by and distributions to owners of the Group</b>	<b>4</b>	<b>8</b>	<b>(19)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(7)</b>	<b>-</b>	<b>(7)</b>
<b>Balances at 30 September 2019</b>	<b>1,991</b>	<b>3,294</b>	<b>219</b>	<b>(4,796)</b>	<b>(21)</b>	<b>19,800</b>	<b>20,487</b>	<b>2,491</b>	<b>22,978</b>
For the six months ended 30 September 2018 (unaudited)	Issued Share Capital £'000s	Share Premium Account £'000s	Share Option Reserve £'000s	Other Reserve (restated) £'000s	Foreign Translation Reserve £'000s	Retained Earnings £'000s	Total £'000s	Non-Controlling Interest (restated) £'000s	Total Equity £'000s
Balances at 1 April 2018	1,569	2,720	310	(4,796)	13	57,220	57,036	1,803	58,839
<b>Total comprehensive loss for the period</b>									
Loss for the year	-	-	-	-	-	(12,686)	(12,686)	210	(12,476)
Other comprehensive loss	-	-	-	-	(67)	477	410	-	410
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(67)</b>	<b>(12,209)</b>	<b>(12,276)</b>	<b>210</b>	<b>(12,066)</b>
<b>Transactions with owners of the Group, recognised directly in equity</b>									
Shares issued in the period	402	542	-	-	-	-	944	-	944
Acquisition of majority interest	-	-	-	-	-	-	-	-	-
<b>Total contributions by and distributions to owners of the Group</b>	<b>402</b>	<b>542</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>944</b>	<b>-</b>	<b>944</b>
<b>Balances at 30 September 2018</b>	<b>1,971</b>	<b>3,262</b>	<b>310</b>	<b>(4,796)</b>	<b>(54)</b>	<b>45,011</b>	<b>45,704</b>	<b>2,013</b>	<b>47,717</b>
For the twelve months ended 31 March 2019 (audited)	Issued Share Capital £'000s	Share Premium Account £'000s	Share Option Reserve £'000s	Other Reserve £'000s	Foreign Translation Reserve £'000s	Retained Earnings £'000s	Total £'000s	Non-Controlling Interest £'000s	Total Equity £'000s
Balances at 1 April 2018	1,569	2,720	310	(4,796)	13	55,741	55,557	1,803	57,360
<b>Total comprehensive loss for the period</b>									
Loss for the year	-	-	-	-	-	(32,321)	(32,321)	337	(31,984)
Other comprehensive loss	-	-	-	-	(32)	366	334	-	334
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(32)</b>	<b>(31,955)</b>	<b>(31,987)</b>	<b>337</b>	<b>(31,650)</b>
<b>Transactions with owners of the Group, recognised directly in equity</b>									
Shares issued in the period	418	566	-	-	-	-	984	-	984
Share based payments	-	-	(38)	-	-	-	(38)	-	(38)
Deferred tax on share-based payments	-	-	(34)	-	-	-	(34)	-	(34)
<b>Total contributions by and distributions to owners of the Group</b>	<b>418</b>	<b>566</b>	<b>(72)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>912</b>	<b>-</b>	<b>912</b>
<b>Balances at 31 March 2019</b>	<b>1,987</b>	<b>3,286</b>	<b>238</b>	<b>(4,796)</b>	<b>(19)</b>	<b>23,786</b>	<b>24,482</b>	<b>2,140</b>	<b>26,622</b>

## Consolidated Cashflow Statement

	Notes	unaudited 6 months ended 30 Sept 2019 £000's	unaudited 6 months ended 30 Sept 2018 £000's	audited 12 months ended 31 Mar 2019 £000's
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<b>Adjusted for:</b>				
Loss before taxation		(2,506)	(12,482)	(32,333)
Finance and other finance costs		2,943	1,868	4,572
FX movement		-	82	(98)
Share based payment credit		(19)	-	(38)
Loss arising from disposal of discontinued business		-	2,006	5,202
Loss on disposal of intangible assets		-	-	123
Loss on disposal of property plant and equipment		-	-	135
Depreciation of property, plant and equipment		1,075	1,725	2,656
Impairment charge		-	6,281	18,675
Past service gain on pension		-	-	106
Fair value of derivative liability		(16)	-	294
Fair value of NCI put option		85	-	201
Amortisation of intangibles		735	749	1,464
<b>Operating Cash Flow</b>		<b>2,297</b>	<b>229</b>	<b>959</b>
Decrease/(increase) in inventories		203	(161)	186
(Increase)/decrease in receivables		(1,811)	917	613
Pension contributions	6	(287)	(173)	(347)
(Decrease)/increase in payables		(3,280)	(6,715)	(3,511)
Decrease in Cash Collateral		1,785	-	-
<b>Cash used in operations</b>		<b>(1,093)</b>	<b>(5,093)</b>	<b>(2,100)</b>
Income taxes paid/(received)		50	-	(68)
Interest paid		(86)	(138)	(493)
<b>Net cash outflow from operating activities</b>		<b>(1,129)</b>	<b>(6,041)</b>	<b>(2,661)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of intangible assets		-	(2)	(10)
Purchase of property, plant and equipment		(1,374)	(1,292)	(4,474)
Disposal of discontinued business, net of cash disposed of		-	13,342	16,669
Payment of deferred consideration		-	-	(4,520)
<b>Net cash (outflow)/ inflow from investing activities</b>		<b>(1,374)</b>	<b>12,048</b>	<b>7,665</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Shares issued in year, net of transaction costs		12	944	984
Inflow/(repayment) of loans	8	3,420	(1,750)	(1,750)
(Repayment)/inflow of Investor Loans	8	(3,059)	856	856
Inflow of funds from convertible loan notes		-	8,545	8,545
Drawdowns on revolving credit facilities	8	13,551	39,350	57,266
Repayments to revolving credit facilities	8	(11,514)	(42,726)	(65,935)
Repayment of asset based finance		(1,636)	-	-
Capital repayments on asset finance	8	-	(3,463)	(4,783)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>774</b>	<b>1,756</b>	<b>(4,817)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,729)</b>	<b>7,763</b>	<b>187</b>
<b>CASH AND CASH EQUIVALENTS</b>				
Cash and cash equivalents at beginning of period		2,909	2,731	2,731
Effects of currency translation on cash and cash equivalents		(2)	(21)	(10)
Net movement in cash and cash equivalents		(1,729)	7,763	188
<b>Cash and cash equivalents at end of period</b>		<b>1,178</b>	<b>10,473</b>	<b>2,909</b>

## Notes to the Interim Statements

### 1. Preparation of the interim 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).

The principal activities of the Group are the sourcing, manufacture, marketing and distribution of food and industrial ingredients.

The interim report will be posted on the Company's website and will be released via the Stock Exchange. Further copies of the interim report and Annual Report and Accounts may be obtained from the address above.

#### Basis of preparation

These condensed consolidated interim statements are compliant with the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the European Union and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) but does not include all disclosures required by IAS 34. The unaudited financial information for the six months ended 30 Sept 2019 and 30 Sept 2018 are not statutory accounts and as such, have not been audited, but have been reviewed by our auditors. The comparative financial information provided for the twelve months ended 31 March 2019 are not a complete set of statutory accounts. For the full 31 March 2019 statutory accounts, please refer to the Companies House website. The accounts are prepared on a going concern basis.

#### Discontinued operations

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

#### IFRS standards and interpretations adopted

The Group has applied the same accounting policies in its interim consolidated financial statements as in its 31 March 2019 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2019 and will be adopted in the 2020 annual financial statements. A new standard impacting the Group has been adopted in these financial statements and has given rise to changes in the Group's accounting policies as follows:

- IFRS 16 Leases

Details of the impact of this standard is given below:

We have adopted IFRS 16 Leases from 1 April 2019, capitalising assets financed through operating leases, and substituting operating costs with interest and depreciation. The Group has applied the modified retrospective method with no changes to the comparative accounting periods.

<i>All figures in £'000s</i>	Property	Plant	Total
Assets recognised at 1 April 2019	578	209	787
Discounted liability recognised at 1 April 2019	553	202	755
Operating expenses reduced in 6 months to 30 September 2019	168	84	252
Additional depreciation in 6 months to 30 September 2019	166	83	249
Additional finance cost in 6 months to 30 September 2019	7	4	11

At 30 September 2019, fixed assets are increased by £0.5 million, short term borrowings are increased by £0.4 million and long term borrowings by £0.1 million.

### **Non-Controlling interest put option**

Following the purchase of Brighter Foods Limited, the Group entered into a shareholder agreement regarding the management stake whereby the senior management of Brighter Foods Limited can elect to sell 50% of the management stake to the Group after March 2020, and 50% after March 2021. The consideration for the entire management stake will be based upon an agreement valuation formula, linked to profit, cash and capital expenditure of Brighter Foods limited in the years ending 31 March 2020 and 31 March 2021, and is capped at £8.0 million in aggregate.

The present value of the amount payable is £5.1 million (2018: £4.8 million) of the exercise of the non-controlling interest put option, is recognised in long-term liabilities and equity.

### **Going Concern**

The Directors have considered the Group's business activities together with the factors likely to affect its planned future performance. The forecasts, based on sensitised versions of those submitted by the businesses, consider reasonable possible changes in trading performance and these assumptions have been projected which show that the business is able to operate with a sufficient level of headroom, providing all current debt facilities remain in place. The principal shareholders of the Group have shown considerable support for the working capital requirements and, having carefully considered the liquidity of the Company in line with 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. Looking beyond that horizon, the Board is fully conscious of the significant potential cash demands from the repayment of shareholder loans, for example, and such matters will receive appropriate consideration, of course, well in advance of the due dates.

## **2. Segment analysis**

### **Geographical Segments**

The Group earns revenue from countries outside the United Kingdom, these represent 19.7% of the total revenue of the Group to 30 Sept 2019 (6 months to Sept 2018: 21.9%). The Cake Decoration division accounts for all of this turnover.

### **Business segments**

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

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

Unaudited segment analysis for these divisions for the six months ended 30 September 2019 is provided below, along with reconciliations to the underlying adjusted EBITDA:

The Group operates in two main divisions: Cake Decoration and Food Ingredients. The Premium Bakery division was discontinued in the period to 31 March 2019. The Head Office functions of Finance, Technical and Information Services provide support to the divisions in varying scale.

	Cake Decoration	Food Ingredients	Head Office	Total Group
	£000's	£000's	£000's	£000's
<b>Total Revenue</b>	<b>23,563</b>	<b>12,490</b>	<b>11</b>	<b>36,064</b>
Intercompany Sales	(3,641)	-	-	(3,641)
<b>External Revenue</b>	<b>19,922</b>	<b>12,490</b>	<b>11</b>	<b>32,423</b>
Cost of sales	(11,100)	(7,605)	-	(18,705)
<b>Gross Profit</b>	<b>8,822</b>	<b>4,885</b>	<b>11</b>	<b>13,718</b>
Distribution expenses	(1,393)	(236)	-	(1,629)
Administrative expenses	(7,484)	(3,097)	(524)	(11,105)
Significant items and impairments	(426)		(121)	(547)
<b>Operating profit/(loss)</b>	<b>(481)</b>	<b>1,552</b>	<b>(634)</b>	<b>437</b>
Finance costs	(90)	-	(2,765)	(2,855)
Other finance costs	-	-	(88)	(88)
<b>Profit/(loss) before tax</b>	<b>(571)</b>	<b>1,552</b>	<b>(3,487)</b>	<b>(2,506)</b>
Income tax expense	-	-	(3)	(3)
<b>Net profit/(loss)</b>	<b>(571)</b>	<b>1,552</b>	<b>(3,490)</b>	<b>(2,509)</b>

Reconciliation of operating profit/(loss) to underlying adjusted EBITDA	Cake Decoration	Food Ingredients	Head Office	Total Group
	£000's	£000's	£000's	£000's
<b>Operating (loss)/profit</b>	<b>(481)</b>	<b>1,552</b>	<b>(634)</b>	<b>437</b>
Significant items and impairments	426	-	121	547
Depreciation	692	293	90	1,075
Amortisation	-	702	33	735
<b>Underlying adjusted EBITDA</b>	<b>637</b>	<b>2,547</b>	<b>(390)</b>	<b>2,794</b>

Comparative unaudited segment analysis for the six months ended 30 Sept 2018 is:

	Cake Decoration	Food Ingredients	Premium Bakery	Head Office	Continuing Operations	Discontinued Operations	Total Group
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Total Revenue</b>	<b>26,843</b>	<b>6,908</b>	<b>1,262</b>	-	<b>35,013</b>	<b>21,145</b>	<b>56,158</b>
Intercompany Sales	(4,657)	-	-	-	(4,657)	(346)	(5,003)
<b>External Revenue</b>	<b>22,186</b>	<b>6,908</b>	<b>1,262</b>	-	<b>30,356</b>	<b>20,799</b>	<b>51,155</b>
Cost of sales	(14,842)	(5,125)	(1,001)	(155)	(21,123)	(17,888)	(39,011)
<b>Gross Profit</b>	<b>7,344</b>	<b>1,783</b>	<b>261</b>	<b>(155)</b>	<b>9,233</b>	<b>2,911</b>	<b>12,144</b>
Distribution expenses	(1,409)	(140)	(86)	-	(1,635)	(890)	(2,525)
Administrative expenses	(5,069)	(1,000)	(208)	(1,882)	(8,159)	(5,272)	(13,431)
Significant items and impairments	(6,297)	(4)	(4)	(358)	(6,663)	(39)	(6,702)
<b>Operating (loss)/profit</b>	<b>(5,431)</b>	<b>639</b>	<b>(37)</b>	<b>(2,395)</b>	<b>(7,224)</b>	<b>(3,290)</b>	<b>(10,514)</b>
Finance costs	(72)	(1)	-	(1,710)	(1,783)	(100)	(1,883)
Other finance costs	-	-	-	(85)	(85)	-	(85)
<b>(Loss)/profit before tax</b>	<b>(5,503)</b>	<b>638</b>	<b>(37)</b>	<b>(4,190)</b>	<b>(9,092)</b>	<b>(3,390)</b>	<b>(12,482)</b>
Income tax credit/(expense)	-	11	-	(5)	6	-	6
<b>Net (loss)/profit</b>	<b>(5,503)</b>	<b>649</b>	<b>(37)</b>	<b>(4,195)</b>	<b>(9,086)</b>	<b>(3,390)</b>	<b>(12,476)</b>

Reconciliation of operating profit/(loss) to underlying adjusted EBITDA	Cake Decoration	Food Ingredients	Premium Bakery	Head Office	Continuing Operations	Discontinued Operations	Total Group
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
<b>Operating (loss)/profit</b>	<b>(5,431)</b>	<b>639</b>	<b>(37)</b>	<b>(2,395)</b>	<b>(7,224)</b>	<b>(3,290)</b>	<b>(10,514)</b>
Significant items and impairments	6,297	4	4	358	6,663	39	6,702
Loss on disposal	-	-	-	-	-	2,010	2,010
Depreciation	418	110	6	219	753	972	1,725
Amortisation	14	690	-	33	737	12	749
<b>Underlying adjusted EBITDA</b>	<b>1,298</b>	<b>1,443</b>	<b>(27)</b>	<b>(1,785)</b>	<b>929</b>	<b>(257)</b>	<b>672</b>



Comparative audited segment analysis for the twelve months ended 31 Mar 2019 is:

	Cake Decoration £000's	Food Ingredients £000's	Head Office £000's	Continuing Operations £000's	Discontinued Operations £000's	Total Group £000's
<b>Total Revenue</b>	<b>56,340</b>	<b>15,151</b>	-	<b>71,491</b>	<b>26,365</b>	<b>97,856</b>
Intercompany Sales	(9,931)	-	-	(9,931)	(346)	(10,277)
<b>External Revenue</b>	<b>46,409</b>	<b>15,151</b>		<b>61,560</b>	<b>26,019</b>	<b>87,579</b>
Cost of sales	(31,716)	(11,585)	(232)	(43,533)	(21,615)	(65,148)
<b>Gross Profit</b>	<b>14,693</b>	<b>3,566</b>	<b>(232)</b>	<b>18,027</b>	<b>4,404</b>	<b>22,431</b>
Distribution expenses	(3,074)	(341)	-	(3,415)	(1,227)	(4,642)
Administrative	(9,662)	(1,998)	(4,078)	(15,738)	(9,267)	(25,005)
Significant items and impairments	(19,264)	(42)	(1,086)	(20,392)	(46)	(20,438)
<b>Operating profit/(loss)</b>	<b>(17,307)</b>	<b>1,185</b>	<b>(5,396)</b>	<b>(21,518)</b>	<b>(6,136)</b>	<b>(27,654)</b>
Finance costs	(141)	-	(4,265)	(4,406)	(107)	(4,513)
Other finance costs	-	-	(166)	(166)	-	(166)
<b>Profit/(loss) before</b>	<b>(17,448)</b>	<b>1,185</b>	<b>(9,827)</b>	<b>(26,090)</b>	<b>(6,243)</b>	<b>(32,333)</b>
Income tax	18	(122)	453	349	-	349
<b>Net profit/(loss)</b>	<b>(17,430)</b>	<b>1,063</b>	<b>(9,374)</b>	<b>(25,741)</b>	<b>(6,243)</b>	<b>(31,984)</b>

Reconciliation of operating profit/(loss) to underlying adjusted EBITDA	Cake Decoration £000's	Food Ingredients £000's	Head Office £000's	Continuing Operations £000's	Discontinued Operations £000's	Total Group £000's
<b>Operating profit/(loss)</b>	<b>(17,307)</b>	<b>1,185</b>	<b>(5,396)</b>	<b>(21,518)</b>	<b>(6,136)</b>	<b>(27,654)</b>
Significant items and impairments	19,264	42	1,086	20,392	46	20,438
Loss on Disposal					5,202	5,202
Depreciation	1,016	242	315	1,573	1,083	2,656
Amortisation	12	1,376	66	1,454	10	1,464
<b>Underlying adjusted</b>	<b>2,985</b>	<b>2,845</b>	<b>(3,929)</b>	<b>1,901</b>	<b>205</b>	<b>2,106</b>

### 3. Earnings per ordinary 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 at the end of the period.

	unaudited 6 months ended 30 Sept 2019	unaudited 6 months ended 30 Sept 2018	audited 12 months ended 31 Mar 2019
Loss after tax attributable to ordinary shareholders (£'000s)	<b>(2,860)</b>	<b>(12,686)</b>	<b>(32,321)</b>
Continuing	(2,860)	(9,296)	(26,078)
Discontinued	-	(3,390)	(6,243)
Weighted average number of shares in issue for basic EPS ('000s)	<b>99,445</b>	<b>86,628</b>	<b>91,032</b>
Employee share options & CLNs ('000s)	<b>149,552</b>	<b>130,079</b>	<b>144,918</b>
Weighted average number of shares in issue for diluted EPS ('000s)	<b>248,997</b>	<b>216,707</b>	<b>235,950</b>
<b>Basic and diluted loss per share</b>	<b>(2.88)p</b>	<b>(14.64)p</b>	<b>(35.49)p</b>
<b>Continuing basic and diluted loss per share</b>	<b>(2.88)p</b>	<b>(10.73)p</b>	<b>(28.64)p</b>
<b>Discontinued basic and diluted loss per share</b>	<b>-</b>	<b>(3.91)p</b>	<b>(6.85)p</b>

For the six months to 30 September 2019, the weighted average number of shares in issue was 99,444,732 and the number of options outstanding was 149,552,476 (including CLNs). If these were all exercised the cash raised would be equivalent to that which would be raised by issuing 131,534,884 shares at the average share price for this period.

#### Diluted earnings per share

The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of all outstanding share options. The potential ordinary shares are considered antidilutive as they decrease the loss per share. Therefore, diluted EPS is the same as basic EPS.

### 4. Dividends

The Directors are not recommending an interim dividend (2018: nil).

### 5. Taxation

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

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

### 6. Pension arrangements

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 Group operates one defined benefit scheme, the Napier Brown Retirement Benefits Scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The contributions made by the employer over the six-month period have been £286,651 (2018: £173,058).

## Assumptions

The assets of the scheme have been included at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	unaudited 30 Sept 2019 % per annum	unaudited 30 Sept 2018 % per annum	audited 31 Mar 2019 % per annum
Rate of increase in pension payment	3.10	3.10	3.10
Discount rate	1.75	2.85	2.40
Inflation assumption	3.30	3.20	3.30
Revaluation rate for deferred pensions	2.30	2.20	2.30

## Scheme deficit

The fair value of the assets in the scheme and the present value of the liabilities in the scheme are:

	unaudited 30 Sept 2019 £'000s	unaudited 30 Sept 2018 £'000s	audited 31 Mar 2019 £'000s
Total fair value of assets	15,137	13,562	13,774
Present value of scheme liabilities	(23,235)	(19,339)	(21,177)
Effect of IFRIC14	(517)	-	-
<b>(Deficit) in the scheme</b>	<b>(8,615)</b>	<b>(5,777)</b>	<b>(7,403)</b>

The scheme is a closed scheme and therefore under the projected unit method the current service cost would be expected to increase as the members of the scheme approach retirement.

The present value of contributions payable exceeds the net liability and in accordance with IFRIC14, we have recognized this additional liability.

### Pension Deficit Funding Arrangement (July 2019)

During the negotiations with the trustee of the scheme as part of the scheme's regular triennial valuation as at 31 March 2018, it became clear that some earlier documentation from 2003 had not had the intended effect.

Following a deed of 15 December 2003, in 2004 Napier Brown Holdings Ltd made a payment of £2.5 million to the trustee of the Scheme, which was intended to discharge it from further liability to the Scheme. This was prior to RGF acquiring Napier Brown Foods plc in August 2005. However, the documentation which would have been needed to achieve Napier Brown Holdings Ltd's discharge as a statutory employer was not correctly put into place at that time and its omission only surfaced during the course of the 2018 valuation discussions; both RGF and Napier Brown Foods plc itself had thought that Napier Brown Holdings Ltd had been discharged from liability in relation to the Scheme in 2004. However, Napier Brown Holdings Ltd in fact remained a statutory employer with potential liability in relation to the scheme, despite its earlier payment. The flexible apportionment arrangement entered in July 2019 regularised that position so that Napier Brown Holdings Ltd is no longer a statutory employer in the Scheme. Although the apportionment was executed at the same time as the valuation documents and the 2019 funding arrangements were put in place, it was a separate exercise from the other agreements on payments to the Scheme.

## 7. Significant Items and Impairments

The Group's underlying profit figure excludes a number of items which are material or non-recurring and are detailed separately to ensure the underlying operating performance of the business is clearly visible, without the distortion of these costs. The significant costs incurred by the Group, are summarised below:

	unaudited 6 months ended 30 Sept 2019 £000's	unaudited 6 months ended 30 Sept 2018 £000's	audited 12 months ended 31 Mar 2019 £000's
Goodwill and fixed asset impairments	-	(6,281)	(18,675)
Investigation works	-	-	(315)
Commercial disputes	-	-	(118)
Capital projects	-	-	(38)
Legal costs for finance restructuring	-	(172)	-
Professional fees in relation to financing	(121)	(171)	(380)
Management restructuring	(426)	(78)	(582)
Asset write off	-	-	(330)
<b>Total Significant Items and Impairments</b>	<b>(547)</b>	<b>(6,702)</b>	<b>(20,438)</b>
Continuing operations	(547)	(6,663)	(20,392)
Discontinued operations	-	(39)	(46)

## 8. Borrowings

The table below shows the movement on the Borrowings over the past 12 months.

	unaudited 30 Sept 2019 £000's	unaudited 30 Sept 2018 £000's	audited 31 Mar 2019 £000's
Revolving credit facility	2,043	3,774	-
Investor loans	24,106	23,981	25,165
Investor loans - cash collateral	-	2,000	2,000
Convertible loan notes	10,857	8,418	9,550
Asset finance	3,348	1,937	1,636
Leased asset commitments (IFRS 16)	514	-	-
Government grants	253	303	278
<b>Total Borrowings</b>	<b>41,121</b>	<b>40,413</b>	<b>38,629</b>
Amount due for settlement within 12 months	2,402	4,417	668
Amount due for settlement after 12 months	38,719	35,996	37,961

### Convertible Loan Notes

The Company had issued loan notes with a conversion price of 5 pence to its major shareholders, Napier Brown, Omnicane and Downing totalling £8.8 million during 2018. The loans are repayable on 17 May 2021, unless they are redeemed before that date and accrue daily interest at a rate of 12 percent per annum. On maturity, unless the convertible loan notes are converted into ordinary shares, a redemption premium fee will be payable. The redemption fee will be an amount which, when added to the interest accrued on the relevant notes, provides a total return equal to the amount which would have accrued in respect of such notes from the date of the convertible loan note instrument until and including the date the notes are redeemed in full had the interest rate been 30 percent per annum.

A host loan at amortised cost and an embedded derivative liability, being measured at fair value with changes in value being recorded in profit or loss, have been recognised. At 30 September 2019 the derivative liability amounted to £0.3 million (2018: £0.3 million).

## Investor Loans

The terms of the investor loans were amended in August 2019. All loans, other than the Convertible Loan Notes, accrue interest at a rate of 10%, and are now repayable in full on 17 May 2021. A small amount of quarterly interest continues to be repaid to Downing LLP. Following the refinancing in August 2019, £4.5 million of these loans were repaid to shareholders, comprising £3.7 million of loans, £0.5 million of interest and redemption premiums of £0.3 million.

## Refinancing

In order to normalise the Group's funding arrangements, the Group refinanced in August 2019 with Leumi ABL Ltd securing a total credit facility of £8.9m. As part of the refinancing, the Group was also able to reduce the level of shareholder debt by £4.5m. Although the Group's level of debt outstanding remains high, the refinancing provides stability to enable the Group to move forward and invest in growth opportunities.

## 9. Goodwill

A goodwill impairment exercise was undertaken. Each cash generating unit was assessed for its recoverable amount based upon the higher of fair value less costs of disposal, and value-in-use calculations. The cashflows used in the value-in-use calculation are EBITDA (adjusted) less capital expenditure based upon the latest Board approved forecasts in respect of the following three years. The discount rate applied is 10.0% (Mar 19: 10.0%) based on the market calculated weighted average cost of capital for similar companies. The long-term growth assumptions reflect a 5-year period with a terminal value applied to the fifth year. The impairment review shows that no impairment is required for the goodwill in the Cake Decoration segment (2018: £6.3 million).

## Sensitivity Analysis

An illustration of the sensitivity to reasonable possible changes in the discount rate assumption or the 3-year planned EBITDA in Cake Decoration are shown below:

- An increase of 0.5% in the weighted cost of capital of 10.0% to 10.5% would not cause an impairment on the carrying value of goodwill.
- Applying a 5% reduction to the planned EBITDA in FY 20 and FY 21 would not cause an impairment on the carrying value of goodwill.

	unaudited 30 Sept 2019 £000's	unaudited 30 Sept 2018 £000's	audited 31 Mar 2019 £000's
<b>Total Goodwill</b>	<b>50,375</b>	<b>62,769</b>	<b>50,375</b>

## 10. Assets classed as held for sale

The group owns an office building near Bristol, previously used by a business sold in the year to 31 March 2019. The building has been put up for sale and are classed as held for sale within the consolidated statement of financial position at 30 September 2019:

	£000's
Property, plant and equipment	148
<b>Assets held for sale</b>	<b>148</b>

## 11. Contingent Liability

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. There has been one additional claim raised since the publication of the Annual accounts, we are at an early stage of investigating the claim and do not expect to make any payment to settle the matter.