25 January 2021

Real Good Food plc

("RGF" or "the Company")

Half year results for six months ended 30 September 2020

Improving underlying performance being masked by lower volumes pro tem

Real Good Food plc, (AIM: RGD) the diversified food business, today announces its half year results for the six months ended 30 September 2020.

Financial highlights:

- During a period badly affected by the covid-19 lockdown and restrictions, revenue from continuing operations decreased by 26.4% to £23.9 million (2019: £32.4 million).
- The impact of lower revenues was partially mitigated by cost savings, new business, and the Government's furlough scheme; underlying adjusted EBITDA* was £0.3 million (2019: £2.8 million).
- Investor loans and Convertible Loan Notes (CLNs) have been extended from 17 May 2021 to 19 May 2022; no change to the interest rate or redemption premium on Investor loans but the minimum annual return on the CLNs reduced from 30% to 12% with effect from 31 December 2020.
- Loss before tax was £4.0 million (2019: loss of £2.5 million).
- Net debt at 30 September 2020 stood at £45.1million (30 September 2019; £39.9 million; 31 March 2020 £44.4 million), being largely Shareholder Loans.
- Credit facility with Leumi ABL Limited increased by £2.0 million to £10.9 million to provide additional headroom during difficult trading conditions.

Operational highlights :

- Food Ingredients (Brighter Foods) - underlying adjusted EBITDA was £1.1 million (2019: £2.5 million). Revenue in the six-month period was £4.0 million lower than the first half of last year, having been impacted by revenues at its largest customer reducing by £4.8 million due to the covid-19 lockdowns
- Cake Decoration (Renshaw and Rainbow Dust) - underlying adjusted EBITDA was a loss of £0.6 million (2019: £0.6 million profit). Revenues from the wholesale and sugarcraft markets (both in the UK and Europe) were down significantly on the prior year with restaurants and consumer outlets experiencing shut-downs and lower trading during covid-19. The interim period is typically the quietest in the year for this division. Cake Decoration outsourced its warehousing and distribution in March 2020 resulting in an improvement to customer service.
- Both businesses have continued to innovate with a total of 35 new products being launched by Brighter Foods and 40 by Renshaw with anticipated annualised (and normalised) revenues of £8 million and £2 million respectively.

Current trading and outlook

- The impact of covid-19 was most severe in Q1, during the first lockdown. However, with lockdown restrictions easing, it is pleasing to see that trading has improved in both divisions with Q3, post the interim period end (October 2020 to December 2020) revenues in-line with FY20, and Board expectations. Q4 expectations within Brighter Foods remain positive, notwithstanding the latest national lockdown, whilst Q4 is traditionally a quieter period for Cake Decoration.
- Within Cake Decoration, where the operating structure has been significantly improved, the focus is on strengthening customer relationships, enhancing customer service, and growing revenues through new product launches and category expansion. There have been new client wins in the first half of the year both in the Retail and B2B markets; overseas markets have recovered well.

- Brighter Foods, after the initial impact of the lockdown, has continued to grow its earnings from a wider customer base than this time last year. Q3 earnings were ahead of last year's.
- The Board remain committed to reducing the Group's debt burden and reviewing all initiatives to improve and simplify its capital structure.

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

Mike Holt, Executive Chairman, said:

"Although the Group inevitably had a difficult first half, due to the impact of covid-19 and Brexit uncertainties, as reported earlier this month, Q3 performance was much improved on the first half and in-line with last year. Both our businesses are getting stronger and more resilient due to operational efficiencies made during the last 12 months.

Once covid-19 restrictions are lifted, Brighter Foods is well-placed to continue the growth reported in FY20 - capitalising on its additional capacity, market opportunities and new product innovation capabilities - and Renshaw should continue to benefit from its recent restructuring and greater focus on product innovation and customer service."

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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

This year has been very different to the one the Board had expected, with the challenges from the covid-19 pandemic and the implications for the Group regarding Brexit.

Our plan for the current financial year was to leverage the capacity investment made during FY20 in Brighter Foods, to accelerate operational changes made within Renshaw and to generate revenue growth from new products and better customer service delivery. It is frustrating therefore that the covid-19 pandemic and Brexit uncertainties have constrained these objectives, albeit the Board believes that the Group did well to hold revenues to within 26% of the first half of last year under the circumstances. However, given the operational gearing of the business, particularly within Renshaw, the reduction in revenues meant that there was a greater drop in profitability such that the Group operated at an adjusted EBITDA level for the first half of £0.3m (2019: EBITDA of £2.8m). During the period, the Group claimed £1.2 million under the Government's Job Retention Scheme. Further cost savings were made at group level, albeit this was offset by additional costs of c£0.3m which were incurred in making our factories and work areas in the businesses covid-19 safe.

Although covid-19 and Brexit have taken a lot of our focus in the past six months, the Group has continued to manage many market challenges, particularly in the Cake Decoration business. The icing and marzipan sector is a mature market and there continues to be pressure from competitors..

The improvement programme in Cake Decoration, which started in FY20, has focused on developing strategic partnerships with customers and distributors and driving fundamental operational improvements. Benefits from these initiatives are beginning to come through. Cake Decoration has continued to develop the innovation of new products with product launches recently seen with Tesco, Waitrose, and Marks & Spencer.

Brighter Foods, having ended last year with very significant revenue growth, was impacted by the sectors it sells into being substantially closed during the first lockdown, principally the travel and 'food on the go' sectors. However, the management team worked closely with their customers to identify new potential outlets, which was successful in recovering revenues in Q2 (July -September).

Cash became even more of a focus for the Group since March due to the pandemic, with the Directors initially holding weekly meetings to discuss and monitor cash projections reverting to bi-weekly when the initial lockdown ended. The Group has used the Government furlough scheme, and the deferred VAT and PAYE payments to conserve cash during the lockdown period and secured a deed of variation with the minority shareholders of Brighter Foods which deferred some cash outflow as well as improving the alignment of interests. Total deferred VAT and PAYE under these Government Support Schemes is £1.9m and is expected to start being paid down.

As previously reported, in July 2020 the Group secured additional funding with Leumi increasing the overall facility by £2.0 million to £10.9 million. The increased facility is secured against debtors in the Group's Brighter Foods business and has been provided on the same terms as the original receivables' facility.

The Independent Directors finalised an Amendment Deed, with the Group's three major shareholders, to extend the repayment date of the Investor Loans to 19 May 2022, on the same terms. The Amendment Deed also amended the convertible loan notes (CLNs) such that the minimum annual return on the CLNs will reduce from 30% to 12% with effect from 31 December 2020. The ultimate goal though is to have a more simplified and normal capital structure as the Group continues to improve its profitability and cash flow.

Owing to the resignation of Paul Richardson, who left the Group for a full-time position, I became the Group's Executive Chairman with the Managing Directors of the two businesses reporting directly through to me. 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 once the covid-19 restrictions are eased, providing a solid foundation for the future.

Overview

Results

Revenues for the first six months of the year were down 26.4% to £23.9 million (2019: £32.4 million), but the Board is confident that this relates mainly to the covid pandemic. Neither business has lost customers, but both have seen customers purchasing in much lower volumes. The savings expected from the changes made in FY20 have been realised but have been masked by the temporary impact of lower revenues. Overall a small profit was reported at the Group underlying adjusted EBITDA level (underlying adjusted EBITDA is defined as earnings before significant items, impairment, interest, tax, depreciation, and amortisation) of £0.3 million (2019: £2.8 million). 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 £4.0 million (2019: loss of £2.5 million). Following a review at the half year, there has been no further impairment of the Cake Decoration business. An impairment of £12.6 million was made at the 31 March 2020 year end. 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 2020 £000’s	6 months ended 30 Sept 2019 £000’s
Loss before tax from continuing operations	**(3,975)**	**(2,506)**
Depreciation of property, plant, and equipment	**1,223**	1,075
Amortisation of intangibles	**25**	735
Impairment	**-**	-
Significant items	**399**	547
Finance costs	**2,546**	2,855
Other finance costs	**91**	88
Underlying adjusted EBITDA from continuing operations	**309**	**2,794**

Following the Group refinancing in August 2019 with Leumi ABL Limited securing a total credit facility of £8.87 million, as part of the covid-19 cash planning, the Group increased the credit facility with Leumi ABL Limited by £2.0 million secured on the debtors of Brighter Foods. The facility is on the same terms as the original agreement.

Investment in growth

The investment made during FY19/FY20 in Brighter Foods, increasing plant capacity by c90%, and in FY20 in Renshaw, with the completion of the soft icing plant, the Board expects both investments to continue to deliver the growth already seen pre covid-19. Brighter Foods, in particular, continues to be well-placed to capitalise on its unique capabilities to meet the growing demand for production capacity within the snack bars sector.

Outlook and Current Trading

Following the covid-19 pandemic and the forced lockdown, the Group updated its budgets and adjusted for the expected impact of covid-19. For the year to date, the performance of each of the businesses is aligned with the Board's expectations and central costs remain within budget.

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 experience and expertise to deliver what our customers need and want. The Cake Decoration business is continuing the successful implementation of the newly articulated strategy for that business, streamlining operational processes, and putting the customer at the forefront of what we do. The back-office functions are also being reorganised to improve the customer service.

Brighter Foods growth plans will recommence once covid-19 restrictions have been lifted. Currently both businesses are incurring additional costs relating to the way in which the production facilities are set up to allow for social distancing. The experienced management and the future for both businesses look justifiably bright.

The uncertainties of Brexit for the business community have been eased slightly by the confirmation on 24 December 2020 that there will be no tariffs, however the logistics, particularly for the Cake Decoration business will need to be closely monitored.

After a uniquely challenging period to 30 September 2020 owing to covid-19, the Board wishes to thank all of the Group's and businesses' stakeholders for their understanding and patience to date. Covid-19 will have an impact on the whole of FY21, however in the Q3, revenues were in-line with the prior year, marginally ahead of the Board's revised expectation. With further restrictions announced for January 2021, revenues for the year are expected to be in-line with the Board's modest expectations.

Overall, the Board remains optimistic and confident that the Group has two resilient core businesses with clear growth strategies, and the leadership and resources to deliver upon them. With a lower cost base in place, and new customers being gained in both businesses, once the lockdown restrictions are lifted the businesses will be in a position to accelerate the growth that was expected in FY21.

Finance Review

Results of continuing operations:	**6 months ended 30 Sept 2020 £000's**	**6 months ended 30 Sept 2019 £000's**
External Revenue	**23,877**	32,423
Gross profit	**8,514**	13,718
Underlying adjusted EBITDA	**309**	2,794
Operating (loss) /profit	**(1,338)**	437
Operating (loss) / profit %	**(5.6)%**	1.3%
Loss before tax	**(3,975)**	(2,506)

Group revenue for the six months ended 30 September 2020 was £23.9 million (2019: £32.4 million), £8.5 million (26.4%) behind the prior year as a result of covid-19. The national lockdown in the United Kingdom and also in Europe had a significant impact on revenues. In Q1 (April to June) all non-essential shops were forced to close and the hospitality sector was virtually shut. The revenues for Q1 were £5.3 million (35.8%) behind the prior year. The lockdown continued into the second quarter, and although the revenues improved on Q1, Q2 revenues were behind the prior year by £3.2 million (18.6%), reflecting some recovery in the retail and manufacturing sectors, although the wholesale sector remained challenging. Brighter Foods revenues were impacted by the travel ban affecting the 'food on the go' sector, with the majority of people working from home. Gross profit for the overall Group was £8.5 million (2019: £13.7 million), a decline of £5.2m on the prior year, also impacted by higher operational costs owing to the changes required within the factories to have a covid-19 safe working environment.

Underlying adjusted EBITDA for continuing operations at £0.3 million was behind prior year by £2.5 million reflecting the lower revenue and additional covid-19 operational costs required in the business. There were cost savings made across the Group including in Cake Decoration, predominantly through redundancies which will benefit the second half of the financial year. The turnaround that started in FY20 was accelerated in FY21 to expediate the long-term savings for the Group. Loss before tax for the six months ended 30 September 2020 was £4.0 million, £1.5 million higher than the same period in the prior year, reflecting the lower revenues and resulting EBITDA.

Covid-19

It is difficult to identify the true cost of covid-19 and the shutdown, however Brighter Foods revenues were impacted by £4.8 million with one customer having to shut their business and initially having a limited on-line offering. In the Cake Decoration division, its European revenues were down by 21.8% for the half year to September 20, with the wholesale sector down by 45.6% on the same period.

Both businesses used the Government furlough scheme to safeguard jobs. For the period under review, a total of £1.2 million was claimed in order to maintain jobs for our employees during this time of disruption. In addition, the Group deferred VAT (£1.0m) and PAYE payments (£0.9m) to conserve cash during the lockdown period. Repayments are being made in line with the Government 'time to pay' plan.

Dividend

No dividend is proposed for the six months ended 30 September 2020 (2019: 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 2020 the deficit in the defined benefit scheme increased by £0.8 million to £8.7 million compared to 31 March 2020 including the provision under IFRIC14 for the excess of contributions over the liability previously recognised of £0.9 million. The plan assets increased by £1.1 million to £14.8 million and the plan liabilities are £23.6 million including the additional IFRIC14 liability compared to £21.7 million at 31 March 2020 (see note 6).

Cash Flow

The net increase in cash and cash equivalents for the period was £1.0 million. Net debt at 30 September 2020 amounted to £45.1 million (2019: £39.9 million). The increase in net debt arose from the 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 £29.2 million, convertible loan notes ("CLNs") at fair value of £14.0 million, asset financing of £2.5 million, Brighter Foods government grant of £0.2 million, leased asset commitments of £0.9 million and revolving credit facilities of £0.6 million. Cash in the bank stood at £2.3 million. Net debt is calculated as total borrowings less cash and cash equivalents (see note 8).

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 2020 £000's	**6 months ended 30 Sept 2019 £000's**
External Revenue	**15,319**	19,922
Underlying adjusted EBITDA	**(637)**	637
Loss before tax	**(1,729)**	(571)

External revenue is £15.3 million (2019: £19.9 million) a decline of £4.6 million (23.1%). Owing to the covid-19 lockdown imposed in the UK and across Europe, Cake Decoration was affected in every sector versus the prior year. UK retail sales were down by £0.3 million (6 %) in the first six months, the manufacturing sector down by £0.5 million (20 %) and wholesale sector by £1.4 million (46 %). Since September, retail sales have recovered to near pre-covid expected revenues during Q3; wholesale revenues started to recover with its largest wholesale customer, taking volumes of circa 80% versus the prior year but have dipped again during the third lockdown. Manufacturing performed reasonably well in the run up to Christmas.

The sector is also facing challenges, with pressure on revenues in icing and marzipan driven by underlying market decline. The revenues in Cake Decoration up to April 2020 had, outperformed the market decline, and without the pandemic there would have been no reason to suggest this would not continue. The sale of soft icings is a growing market and one that Renshaw is benefitting from, with two new blue-chip customers signed recently. The exclusive distribution agreement signed with Decopac for the North America market has not yet performed as expected, however this is expected to develop in the latter part of FY21. The underlying adjusted EBITDA loss of £0.6 million is a decline of £1.3 million on the prior year, driven by the reduced revenues of £4.6 million and the additional operating costs of running the factory in a covid-19 compliant way, including having to run the lines slower to allow for social distancing. The restructure of the cost base continues with exceptional costs of £0.3 million, to streamline the back-office functions and secure further savings in FY21.

The business also announced the closure of the warehouse in America, with the American customers being serviced by the United Kingdom.

Full year revenues are anticipated to be in line with management expectations, with ongoing cost savings to deliver benefit in FY21.

Impairment Review

The Cake Decoration division is a core division for the Group and is currently undergoing an operational improvement programme to increase its margins and profitability on a sustainable basis, be-fitting the Renshaw brand. The investments made in manufacturing capability and the strengthening of the management team should allow the business to grow, once the business is free of covid-19 restrictions. Plans to improve the strategic positioning, service delivery and commercial performance of this business are in progress. Cognisant of the impact of both covid-19 and Brexit uncertainty on near-term profitability, an impairment charge of £12.6 million was booked in FY20 annual accounts, which we reported on last month.

Food Ingredients

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

continuing operations only:	**6 months ended 30 Sept 2020 £000's**	**6 months ended 30 Sept 2019 £000's**
External Revenue	**8,523**	12,490
Underlying adjusted EBITDA	**1,138**	2,547
Profit before tax	**724**	1,552

The period saw a decrease in revenue of £4.0 million (31.8%), with underlying adjusted EBITDA at £1.1 million (2019: £2.5 million), £1.4 million behind prior year. Brighter Foods has been impacted by covid-19 with its customers predominantly in the health and 'food on the go' sectors, which have had to close under Government directed lockdowns or been severely impacted owing to the requirement for people to work from home and not travel. Since September, Brighter Foods traded broadly in-line with last year during Q3 and, despite the current lockdown, it is anticipated that Q4 should be ahead of last year's.

The management team has worked to reduce the impact of the lower revenues and reduce costs where possible. Profit before tax of £0.7 million (2019: £1.6 million) is £0.8 million behind the prior year.

A review of the intangible assets in Food Ingredients has resulted in no requirement for any impairment (2019: Nil).

Head Office

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

	6 months ended 30 Sept 2020 £000's	**6 months ended 30 Sept 2019 £000's**
External Revenue	**35**	11
Underlying adjusted EBITDA	**(192)**	(390)
Loss before tax	**(2,970)**	(3,487)

The underlying adjusted EBITDA loss was £0.2 million lower than the prior year. The loss before tax of £3.0 million reflects the reduction in significant costs in the period.

This report was approved by the Board on 25 January 2021 and is signed on its behalf by:

Mike Holt
Executive Chairman

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 2020 which comprises the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement 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 2020 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
25 January 2021

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

Consolidated Statement of Comprehensive Income

	Notes	unaudited 6 months ended 30 Sept 2020 £000's	unaudited 6 months ended 30 Sept 2019 £000's	audited 12 months ended 31 Mar 2020 £000's
Revenue		**23,877**	**32,423**	**66,576**
Cost of sales		(15,363)	(18,705)	(39,595)
Gross profit		**8,514**	**13,718**	**26,981**
Distribution expenses		(1,464)	(1,629)	(3,439)
Administrative expenses		(7,989)	(11,105)	(24,132)
Impairment charge on goodwill	9	-	-	(12,622)
Impairment charge on tangible fixed assets		-	-	(287)
Significant items	7	(399)	(547)	(1,031)
Operating (loss) / profit		**(1,338)**	**437**	**(14,530)**
Finance costs		(2,546)	(2,855)	(5,448)
Other finance costs		(91)	(88)	(169)
Loss before tax		**(3,975)**	**(2,506)**	**(20,147)**
Income tax credit / (expense)		17	(3)	1,692
Net loss		**(3,958)**	**(2,509)**	**(18,455)**
Attributable to:				
Owners of the parent		(4,071)	(2,860)	(19,121)
Non-controlling interests		113	351	666
Net loss		**(3,958)**	**(2,509)**	**(18,455)**
Items that will not be reclassified to profit or loss				
Foreign exchange differences on translation of subsidiaries		(25)	(2)	(106)
Actuarial loss on defined benefit plan		(708)	(840)	(176)
Pension provision IFRIC 14	6	-	(517)	(921)
Tax relating to items which will not be reclassified		133	231	215
Other comprehensive loss		**(600)**	**(1,128)**	**(988)**
Total comprehensive loss for the period		**(4,558)**	**(3,637)**	**(19,443)**
Attributable to:				
Owners of the parent		(4,671)	(3,988)	(20,109)
Non-controlling interests		113	351	666
Total comprehensive loss for the period		**(4,558)**	**(3,637)**	**(19,443)**

		30 Sept 2020	30 Sept 2019	31 Mar 2020
Basic and diluted loss per share - total operations	**3**	**(4.09)p**	**(2.88)p**	**(19.22)p**
Basic and diluted loss per share - continuing operations		(4.09)p	(2.88)p	(19.22)p

Consolidated Statement of Financial Position

	Notes	unaudited 30 Sept 2020 £000's	unaudited 30 Sept 2019 £000's	audited 31 Mar 2020 £000's
NON-CURRENT ASSETS				
Goodwill	9	37,753	50,375	37,753
Other intangible assets		35	864	61
Tangible fixed assets		15,252	17,632	16,199
Investments		81	81	81
Deferred tax asset		1,658	1,490	1,508
		54,779	**70,442**	**55,602**
CURRENT ASSETS				
Inventories		6,568	6,637	6,823
Trade and other receivables		9,576	10,426	10,232
Current tax assets		182	5	182
Cash collateral		215	215	215
Cash and cash equivalents		2,341	1,178	1,363
		18,882	**18,461**	**18,815**
Assets in disposal groups classified as held for sale	10	1,148	148	1,148
TOTAL ASSETS		**74,809**	**89,051**	**75,565**
CURRENT LIABILITIES				
Trade and other payables		11,366	9,096	9,097
Borrowings	8	1,433	2,402	2,717
Lease liabilities	8	267	-	390
NCI put option	1	4,420	2,377	2,900
		17,486	**13,875**	**15,104**
NON-CURRENT LIABILITIES				
Borrowings	8	45,247	38,719	43,059
Lease liabilities	8	495	-	567
Long-term liabilities - NCI put option	1	-	2,705	1,520
Derivative liability - Convertible Loan Notes		6	278	-
Deferred tax liabilities		257	1,881	223
Retirement benefit obligation	6	8,735	8,615	7,936
		54,740	**52,198**	**53,305**
Liabilities directly associated with assets in disposal groups classified as held for sale		-	-	-
TOTAL LIABILITIES		**72,226**	**66,073**	**68,409**
NET ASSETS		**2,583**	**22,978**	**7,156**
EQUITY				
Share capital		1,991	1,991	1,991
Share premium account		3,294	3,294	3,294
Share option reserve		188	219	203
Other reserve		(4,796)	(4,796)	(4,796)
Foreign exchange translation reserve		(150)	(21)	(125)
Retained earnings		(863)	19,800	3,783
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**(336)**	**20,487**	**4,350**
Non-controlling interest		2,919	2,491	2,806
TOTAL EQUITY		**2,583**	**22,978**	**7,156**

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2020 (unaudited)	Issued Share Capital	Share Premium Account	Share Option Reserve	Other Reserve	Foreign Exchange Translation Reserve	Retained Earnings	Total	Non-Controlling Interest	Total Equity
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balances at 1 April 2020	1,991	3,294	203	(4,796)	(125)	3,783	**4,350**	2,806	**7,156**
Total comprehensive loss for the period									
Loss for the period	-	-	-	-	-	(4,071)	**(4,071)**	113	**(3,958)**
Other comprehensive loss for the period					(25)	(575)	**(600)**	-	**(600)**
Total comprehensive loss for the period	-	-	-	-	**(25)**	**(4,646)**	**(4,671)**	**113**	**(4,558)**
Transactions with owners of the Group, recognised directly in equity									
Shares issued in the period, net of costs	-	-	-	-	-	-	-	-	-
Share based payments	-	-	(15)	-	-	-	(15)	-	(15)
Total contributions by and distributions to owners of the Group	-	-	**(15)**	-	-	-	**(15)**	-	**(15)**
Balances at 30 September 2020	**1,991**	**3,294**	**188**	**(4,796)**	**(150)**	**(863)**	**(336)**	**2,919**	**2,583**

For the six months ended 30 September 2019 (audited)	Issued Share Capital	Share Premium Account	Share Option Reserve	Other Reserve	Foreign Exchange Translation Reserve	Retained Earnings	Total	Non-Controlling Interest	Total Equity
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balances at 1 April 2019	1,987	3,286	238	(4,796)	(19)	23,786	**24,482**	2,140	**26,622**
Total comprehensive loss for the period									
Loss for the period	-	-	-	-	-	(2,860)	**(2,860)**	351	**(2,509)**
Other comprehensive loss for the period	-	-	-	-	(2)	(1,126)	**(1,128)**	-	**(1,128)**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(2)**	**(3,986)**	**(3,988)**	**351**	**(3,637)**
Transactions with owners of the Group, recognised directly in equity									
Shares issued in the period, net of costs year period	4	8	-	-	-	-	**12**	-	**12**
Share based payments	-	-	(19)	-	-	-	**(19)**	-	**(19)**
Total contributions by and distributions to owners of the Group	**4**	**8**	**(19)**	**-**	**-**	**-**	**(7)**	**-**	**(7)**
Balances at 30 September 2019	**1,991**	**3,294**	**219**	**(4,796)**	**(21)**	**19,800**	**20,487**	**2,491**	**22,978**

For the twelve months ended 31 March 2020 (audited)	Issued Share Capital	Share Premium Account	Share Option Reserve	Other Reserve	Foreign Exchange Translation Reserve	Retained Earnings	Total	Non-Controlling Interest	Total Equity
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balances at 1 April 2019	1,987	3,286	238	(4,796)	(19)	23,786	**24,482**	2,140	**26,622**
Total comprehensive loss for the period									
Loss for the year	-	-	-	-	-	(19,121)	**(19,121**	666	**(18,455)**
Other comprehensive loss for the period	-	-	-	-	(106)	(882)	**(988)**	-	**(988)**
Total comprehensive loss for the period		**-**	**-**	**-**	**(106)**	**(20,003)**	**(20,109**	**666**	**(19,443)**
Transactions with owners of the Group, recognised directly in equity									
Shares issued in the year	4	8	-	-	-	-	**12**	-	**12**

Share based payments	-	-	(35)	-	-	-	**(35)**	-	**(35)**
Total contributions by and distributions to owners of the Group	**4**	**8**	**(35)**	**-**	**-**	**-**	**(23)**	**-**	**(23)**
Balances at 31 March 2020	**1,991**	**3,294**	**203**	**(4,796)**	**(125)**	**3,783**	**4,350**	**2,806**	**7,156**

Consolidated Cashflow Statement

	Notes	unaudited 6 months ended 30 Sept 2020 £000's	unaudited 6 months ended 30 Sept 2019 £000's	audited 12 months ended 31 Mar 2020 £000's
CASH FLOW FROM OPERATING ACTIVITIES				
Adjusted for:				
Loss before taxation		(3,975)	(2,506)	(20,147)
Finance and other finance costs		2,637	2,943	5,617
FX movement		-	-	(115)
Goodwill impairment charge		-	-	12,622
Impairment charge on fixed assets		-	-	287
Share based payment credit		(15)	(19)	(35)
Past service cost on pension		-	-	16
Fair value of derivative liability		6	(16)	(294)
Fair value of NCI put option		-	85	(577)
Depreciation of property, plant, and equipment		1,223	1,075	2,375
Amortisation of intangibles		25	735	1,538
Operating Cash Flow		**(99)**	**2,297**	**1,287**
Decrease/(increase) in inventories		255	203	17
Decrease/(increase) in receivables		870	(1,811)	(2,327)
Pension contributions	6	(250)	(287)	(733)
Increase/(decrease) in payables		2,278	(3,280)	1,279
Decrease in cash collateral		-	1,785	1,785
Cash from/ (used in) operations		**3,054**	**(1,093)**	**1,308**
Income taxes paid		-	50	52
Interest paid		-	(86)	(189)
Interest on lease liabilities		-	-	(27)
Net cash inflow/(outflow) from operating activities		**3,054**	**(1,129)**	**1,144**
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant, and equipment		73	(1,374)	(1,819)
Disposal of discontinued business, net of cash disposed of		-	-	550
Net cash inflow/(outflow) from investing activities		**73**	**(1,374)**	**(1,269)**
CASH FLOW FROM FINANCING ACTIVITIES				
Shares issued in period, net of transaction costs		-	12	4
Inflow/(repayment) of loans	8	-	3,420	3,420
(Repayment)/inflow of Investor Loans	8	(9)	(3,059)	(4,519)
Repayment of borrowings		-	-	(504)
Drawdowns on revolving credit facilities	8	11,994	13,551	28,261
Repayments of revolving credit facilities	8	(13,279)	(11,514)	(26,409)
Repayment of other loans		(841)	(1,636)	(1,636)
Net cash inflow/(outflow) from financing activities		**2,135**	**774**	**(1,383)**
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**992**	**(1,729)**	**(1,508)**
CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of period		1,363	2,909	2,909
Effects of currency translation on cash and cash equivalents		(14)	(2)	(38)
Net movement in cash and cash equivalents		992	(1,729)	(1,508)
Cash and cash equivalents at end of period		**2,341**	**1,178**	**1,363**

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 September 2020 and 30 September 2019 are not statutory accounts and as such, have not been audited, but have been reviewed by our auditors. The comparative financial information for the year ended 31 March 2020 included within this report does not constitute the full statutory accounts for that period. The statutory Annual Report and Accounts for 2020 have been filed with the Registrar of Companies. The Independent Auditor's Report on that Annual Report and Accounts for 2020 was (i) qualified - due to Covid-19 restrictions the auditor was not able to observe the counting of physical inventories at 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 company and third party premises, specifically as a result of Covid-19. They were, unable to satisfy themselves by alternative means concerning the inventory quantities held by that component at 31 March 2020, which were included in the consolidated statement of financial position at £2,574,000. They were therefore unable to determine whether any adjustment to this amount was necessary, or what the impact of any such adjustment would be on the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of financial position or consolidated cash flow statement.(ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006. The accounts are prepared on a going concern basis.

Going Concern

The Directors have considered the Group's business activities together with the factors likely to affect its planned future performance with respect to covid-19, including the third lockdown announced in December 2020, and Brexit and are taking appropriate action.

The forecasts, agreed with the businesses, consider reasonable possible changes in trading performance and these assumptions have been projected and shared with the Company's advisors. Having already traded through two lockdowns, both businesses are more aware of the impact with their own customer base and sectors in which they trade.

The Directors considered the following sensitised scenarios:

Scenario 1: Reduction in revenue of c14% and

Scenario 2: Reduction in EBITDA of c30%

In both stressed scenarios the group has sufficient liquidity headroom for at least the next 12 months, with lowest headroom at August 2021, when cash becomes tighter coinciding with the stock build for Christmas and the expected NCI Put option payment.

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

- Additional asset backed funding
- Cessation of non-essential spend

RGF has used the Government job retention scheme during the period with £1.2m claimed.

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

RGF has a robust crisis management plan that is being implemented, including taking action to mitigate risks and conserve cash. The sectors we serve have and will continue to be impacted whilst the country is in a state of lockdown, particularly the wholesale market and 'food on the go'. The revised forecasts, based on sensitised versions of those submitted by the businesses, consider various scenarios including a significant reduction in sales with a delay in reducing stockholding and possible changes in trading performance. 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 banking covenants in place being positive EBITDA and positive tangible net worth 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. The three major shareholders finalised an amendment deed (amended on 2 December 2020) relating to the funding agreements. The agreements have been amended such that the final repayment dates of each of the agreements have been extended to 19 May 2022, with no change to the interest rate payable by the company. The agreement amends the Convertible Loan Notes ('CLNs') such that the annual return on the CLNs will reduce from 30% per annum to 12% per annum, effective from 31 December 2020.

Having carefully considered the liquidity of the Group in line with the current strategy and future performance, the Directors have a reasonable expectation that 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.

Assets held for sale

Following the sale of the trade and assets of Real Good Food Ingredients Limited, 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 30 September 2020.

Following the restructure of the RGF Group Head Office, the property at Wavertree, Liverpool is no longer required, with remaining staff relocating to the Crown Street property. The property is currently advertised for sale.

The asset is classified as held for sale within the consolidated statement of financial position at 30 September 2020.

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.

Following agreement with the minority shareholders in Brighter Foods, a Deed of Amendment was entered into on 19 October 2020 amending the terms of the shareholder agreement dated 4 April 2017 ('SHA'). The Board of RGF believes that the Deed is in the best interest of all stakeholders as it reduces the immediate cash outflow of the Group and aligns the interests of the Minority Shareholders (who form part of the core management team of Brighter Foods) with RGF in improving earnings and ultimately maximising the value of the business to RGF.

Under the terms of the SHA, a put option pursuant to which the Minority Shareholders can compel the Group to acquire 50% of the Minority Interest had become exercisable (the "2020 Option"). The price to be paid by the Group based on EBIT and cash flows of Brighter for the year ended 31 March 2020 is approximately £2.8m (the "2020 Payment").

Pursuant to the Deed the Minority Shareholders have agreed, amongst other things, to forego their right to exercise the 2020 Option, with the SHA being amended such that the Minority Shareholders will now have a put option over the whole of the

Minority Interest exercisable following the agreement of the audited accounts of Brighter for the year ending 31 March 2021 (the "2021 Option"). The Group retains its call option over the whole of the Minority Interest, exercisable should the 2021 Option not be exercised.

In consideration for the changes to the SHA being made by the Deed, the Group agreed to pay the Minority Shareholders £1.0 million on the date the Deed was entered into and a further £0.5 million was paid on 20 November 2020. The outstanding balance of the 2020 Payment, approximately £1.3 million, has been deferred until the exercise of the 2021 Option. Interest becomes payable on the £1.3 million at the rate of 10% from March 2021.

The present value of the amount payable in respect of the put option of £4.4 million (2019: £5.1 million) is recognised in current liabilities and equity.

2. Segment analysis

Geographical Segments

The Group earns revenue from countries outside the United Kingdom, these represent 25.6% of the total revenue of the Group to 30 September 2020 (6 months to 30 September 2019: 19.7%). The change in the percentage is a result of the sales to America not having the same impact as the UK and the European sales. Both divisions have overseas sales.

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 finance function provide support to the divisions in varying scale.

Unaudited segment analysis for these divisions for the six months ended 30 September 2020 is provided below, along with reconciliations to the underlying adjusted EBITDA:

The Group operates in two main divisions: Cake Decoration and Food Ingredients. The Head Office consists of Finance and the plc Board. The segment analysis for the six months ended 30 September 2020 is:

	Cake Decoration	Food Ingredients	Head Office	Total Group
	£000's	£000's	£000's	£000's
Total Revenue	**17,039**	**8,523**	**35**	**25,597**
Intercompany Sales	(1,720)	-	-	(1,720)
External Revenue	**15,319**	**8,523**	**35**	**23,877**
Cost of sales	(9,641)	(5,699)	(23)	(15,363)
Gross Profit	**5,678**	**2,824**	**12**	**8,514**
Distribution expenses	(1,265)	(177)	(22)	(1,464)
Administrative expenses	(5,828)	(1,886)	(275)	(7,989)
Significant items and impairments	(295)	(38)	(66)	(399)
Operating (loss)/profit after impairment and significant items	**(1,710)**	**723**	**(351)**	**(1,338)**
Finance costs	(19)	1	(2,528)	(2,546)
Other finance costs	-	-	(91)	(91)
(Loss)/profit before tax	**(1,729)**	**724**	**(2,970)**	**(3,975)**
Income tax credit	-	-	17	17
Net (loss)/profit	**(1,729)**	**724**	**(2,953)**	**(3,958)**

Reconciliation of operating (loss)/profit to underlying adjusted EBITDA	Cake Decoration	Food Ingredients	Head Office	Total Group
	£000's	£000's	£000's	£000's
Operating (loss)/profit	**(1,710)**	**723**	**(351)**	**(1,338)**
Significant items and impairments	295	38	66	399
Depreciation	760	375	88	1,223
Amortisation	18	2	5	25
Underlying adjusted EBITDA	**(637)**	**1,138**	**(192)**	**309**

Comparative unaudited segment analysis for the six months ended 30 Sept 2019 is:

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

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

Comparative audited segment analysis for the twelve months ended 31 Mar 2020 is:

	Cake Decoration	Food Ingredients	Head Office	Total Group
	£000's	£000's	£000's	£000's
Total Revenue	**48,621**	**25,333**	**-**	**73,954**
Intercompany Sales	(7,378)	-	-	(7,378)
External Revenue	**41,243**	**25,333**		**66,576**
Cost of sales	(23,615)	(15,980)	-	(39,595)
Gross Profit	**17,628**	**9,353**	**-**	**26,981**
Distribution expenses	(2,995)	(444)	-	(3,439)
Administrative expenses	(14,353)	(5,974)	(3,805)	(24,132)
Significant items and impairments	(13,703)	(9)	(228)	(13,940)
Operating (loss)/profit after impairment and significant items	**(13,423)**	**2,926**	**(4,033)**	**(14,530)**
Finance costs	(198)	(3)	(5,247)	(5,448)
Other finance costs	-	-	(169)	(169)
(Loss)/profit before tax	**(13,621)**	**2,923**	**(9,449)**	**(20,147)**
Income tax credit	-	-	1,692	1,692
Net (loss)/profit	**(13,621)**	**2,923**	**(7,757)**	**(18,455)**

Reconciliation of operating (loss)/profit to underlying adjusted EBITDA	**Cake Decoration**	**Food Ingredients**	**Head Office**	**Total Group**
	£000's	£000's	£000's	£000's
Operating (loss)/profit	**(13,423)**	**2,926**	**(4,033)**	**(14,530)**
Significant items and impairments	13,703	9	228	13,940
Depreciation	1,521	667	187	2,375
Amortisation	34	1,379	125	1,538
Underlying adjusted EBITDA	**1,835**	**4,981**	**(3,493)**	**3,323**

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 2020	unaudited 6 months ended 30 Sept 2019	audited 12 months ended 31 Mar 2020
Loss after tax attributable to ordinary shareholders (£'000s)	**(4,071)**	**(2,860)**	**(19,121)**
Weighted average number of shares in issue for basic EPS ('000s)	**99,564**	**99,445**	**99,505**
Employee share options & Convertible loan notes (CLNs) ('000s)	**215,710**	**149,552**	**202,401**
Weighted average number of shares in issue for diluted EPS ('000s)	**219,276**	**248,997**	**301,906**
Basic and diluted loss per share	**(4.09)p**	**(2.88)p**	**(19.22)p**

For the six months to 30 September 2020, the weighted average number of shares in issue was 99,564,430 and the number of options outstanding was 242,203,550 (including CLNs) of which the weighted average was 215,710,330. If these were all exercised the cash raised would be equivalent to that which would be raised by issuing 216,679,761 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 (2019: 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 £249,999 (2019: £286,651), having deferred the May, June and July 2020 payments owing to covid-19. These are to be repaid over a six-month period starting April 2021.

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 2020 % per annum	unaudited 30 Sept 2019 % per annum	audited 31 Mar 2020 % per annum
Rate of increase in pension payment	3.00	3.10	2.70
Discount rate	1.50	1.75	2.30
Inflation assumption	3.00	3.30	2.70
Revaluation rate for deferred pensions	2.50	2.30	2.20

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 2020 £'000s	unaudited 30 Sept 2019 £'000s	audited 31 Mar 2020 £'000s
Total fair value of assets	14,831	15,137	13,735
Present value of scheme liabilities	(23,566)	(23,235)	(20,750)
Effect of IFRIC14	-	(517)	(921)
(Deficit) in the scheme	**(8,735)**	**(8,615)**	**(7,936)**

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 recognised this additional liability.

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 2020 £000's	unaudited 6 months ended 30 Sept 2019 £000's	audited 12 months ended 31 Mar 2020 £000's
Change in value of convertible loan notes derivative liability	-	-	294
Professional fees in relation to financing	-	(121)	-
Management restructuring	(399)	(426)	(1,325)
Total Significant Items and Impairments	**(399)**	**(547)**	**(1,031)**

8. Borrowings

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

	unaudited 30 Sept 2020 £000's	unaudited 30 Sept 2019 £000's	audited 31 Mar 2020 £000's
Revolving credit facility	568	2,043	1,853
Investor loans	29,210	24,106	28,336
Other loans	179	-	102
Convertible loan notes	14,036	10,857	12,341
Asset finance	2,483	3,348	2,916
Lease liabilities (IFRS 16)	762	514	957
Government grants	204	253	228
Total Borrowings	**47,442**	**41,121**	**46,733**
Amount due for settlement within 12 months	1,700	2,402	3,107
Amount due for settlement after 12 months	45,742	38,719	43,626

Convertible Loan Notes

The Company had issued loan notes with a conversion price of 5 pence to its major shareholders, NB. Ingredients Limited ("Napier Brown"), Omnicane International Investors Limited ("Omnicane") and funds managed by Downing LLP ("Downing") totalling £8.8 million during 2018. The loans were due to be repaid on 17 May 2021, however an agreement was made with the three major shareholders on the 2 December 2020 extending the repayment date to 19 May 2022. In addition, the Deed amends the minimum annual return on the CLNs from 30% per annum to 12% per annum effective from 31 December 2020. On maturity, unless the convertible loan notes are converted into ordinary shares, a redemption premium fee will be payable.

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 2020 the derivative liability amounted to £0.006 million (2019: £0.3 million).

Investor Loans

The repayment date of the investor loans was amended on the 2 December 2020. All loans, including the Convertible Loan Notes, are now repayable in full on 19 May 2022. A small amount of quarterly interest continues to be repaid to Downing LLP.

Financing

Following the Group's refinancing in August 2019 with Leumi ABL Limited securing a total credit facility of £8.87 million, in relation to the impact of covid-19 and the Group's measures to conserve cash, the Group has increased its receivables facility with Leumi ABL Limited by a further £2.0 million. The total credit facility provided by Leumi now amounts to £10.87 million.

The increased facility is secured against debtors in the Group's Brighter Foods business and has been provided on the same terms as the original receivables facility as announced on 23 August 2019.

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 (2019: nil).

Sensitivity Analysis

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

- An increase of 0.5% in the weighted cost of capital of 10.0% to 10.5% would cause an impairment on the carrying value of goodwill of £1.1m in Cake Decorations.
- Applying a 10% reduction to the planned EBITDA in FY22 and subsequent years would cause an impairment on the carrying value of goodwill of £3.2m in Cake Decorations.

	unaudited 30 Sept 2020 £000's	unaudited 30 Sept 2019 £000's	audited 31 Mar 2020 £000's
Total Goodwill	**37,753**	**50,375**	**37,753**

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 is classed as held for sale within the consolidated statement of financial position at 30 September 2020.

Following the restructure of the RGF Group Head Office, the property in Wavertree, Liverpool is no longer required. The property is currently advertised for sale. The asset is within the Head office operating segment. The asset is classified as held for sale within the consolidated statement of financial position as at 30 September 2020.

	unaudited 30 Sept 2020 £000's	unaudited 30 Sept 2019 £000's	audited 31 Mar 2020 £000's
Property near Bristol	**148**	148	148
Property in Wavertree, Liverpool	**1,000**	-	1,000
Assets held for sale	**1,148**	148	**1,148**

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 interim 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 have been no further claims raised since the publication of the FY20 Annual Accounts.

There are two claims disclosed:

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

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

12. Post period end

Mike Holt, Non-Executive Chairman of the Company agreed to become the Executive Chairman of the Group from the 21 October 2020, a position he previously held following the departure of Hugh Cawley in September 2019. This change reflects the increased work being undertaken since the departure of Paul Richardson in March 2020.

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), finalised an amendment deed (amended on 2 December 2020) relating to the funding agreements. The Agreements have been amended such that the final repayment dates of each of the Agreements have been extended to 19 May 2022 with no change to the interest rate payable by the Company pursuant to each Agreement. In addition, the Amendment Deed amends the convertible loan notes (CLNs) such that the minimum annual return on the CLNs will reduce from 30% per annum to 12 % per annum, effective 31 December 2020. Amounts due in respect of the period up to, and including, 31 December 2020 remain unchanged. For avoidance of doubt, the redemption premium on the Loan Note instruments remains payable at 15%. As part of entering into the Amendment Deed the Company has undertaken that it will not enter into any transaction (or transactions in aggregate) that would result in a fundamental change of business of the Company without the prior consent of each of the Major Shareholders. This obligation would cease in the event of the repayment of the outstanding facilities with the Major Shareholders.