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Real Good Food PLC
16 December 2022

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Real Good Food plc

("RGF" or "the Company")

Half year results for six months ended 30 September 2022

Real Good Food plc, (AIM: RGD) the diversified food business, today announces its half year results for the six months ended 30 September 2022.

Financial highlights:

- Revenue decreased by 20.1% to £15.9 million (2021: £19.9 million) due to macroeconomic headwinds.
- EBTIDA loss of £2.0 million (2021: EBITDA of £0.7m).
- Loss before tax for was £3.8m (2021: loss of £1.2 million (continuing operations)).
- Additional £2.5m revolving credit facility secured in November 2022 to support the Group's radical reform programme.

Operational highlights:

- Reduced volumes and the lag effect of passing cost increases through to customers reduced gross margins to 34% (2021: 43%).
- Ongoing availability of key ingredients has also negatively impacted performance, albeit this has eased in recent weeks.
- A radical reform programme has been launched to return the business to profitability.
- Evidence based rebranding of Renshaw fondant to "Just roll with it" launched in September to make products more inclusive.

Current trading and outlook:

- Market conditions are expected to remain challenging in the near-term.
- The reform programme is well underway and is expected to deliver sustainable EBITDA of between £2 million and £4 million for the year to 31 March 2024. Further details will be announced in early 2023.

Mike Holt, Executive Chairman, said:

"Market conditions have been very challenging over the last twelve months, and show no sign of easing in the near-term, due to a perfect storm of rising costs and lower revenues. The Group is not just hunkering down, it has put into effect a radical programme of reform to return it to profitability and to ensure that profits will be sustainable. New funding has been secured to provide the headroom to make these transformational changes. The Board is confident that the right actions are being taken and that they will deliver positive returns. The simple truth, a crisis was needed to enable the required changes to be possible."

Enquiries:

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About Real Good Food

Real Good Food plc is a food manufacturing business serving several market sectors including retail (branded and private label), manufacturing and export. The Group has two businesses that make up the Cake Decoration division, Renshaw, and Rainbow Dust Colours, 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

As previously reported, trading conditions over the last twelve calendar months have been very challenging and are unlikely to improve much in the near-term. The war in Ukraine, continuing cross border trading issues with Europe (post Brexit) and hyper cost inflation have increased costs, impacted the availability of key ingredients and services and reduced demand for our products this year.

For the six months to 30 September 2022, volumes were 29% lower than the first six months of last year and about 14% lower than our pre-covid benchmark (H1/FY20). The Group has been able to pass through cost increases to customers resulting in revenues 20% lower than last year able to pass through cost increases to customers resulting in revenues 20% lower than last year and broadly the same as H1/FY20, albeit on lower volumes. The cost of sugar has doubled, and costs overall are about 30% higher. The overall effect of lagging price uplifts and lower volumes produced a loss of £2.0 million at EBITDA level for H1 and consequent cash constraints.

Clearly this situation was not sustainable. As reported in our trading update on 30 September 2022, the Board has put into effect a well-defined plan to radically reform the Group. The recovery plan includes significant price re-sets with customers across all sectors (to address market distortions), circa £3.0 million of overhead cost savings and additional manufacturing efficiency gains. Successful implementation of the transformation plan is expected to return between £2.0 million and £4.0 million in EBITDA under current market conditions.

To date, the Group has secured significant price re-sets with most of its UK Retailer customers which will have some benefit in H2 but mainly repositions next year, given the seasonality of our business. The cost reduction components are progressing well, and we expect to make further announcements on these in early 2023. Several Kaizen events are being planned and the first starts next week. An external manufacturing consultant will be assisting with the changes within manufacturing operations starting next month.

On the back of this radical programme of reform, and the progress being made, the Group was able to secure additional funding of £2.5 million as announced on 21 November 2022. The new funding is being provided by Hilco Private Capital for a term of twelve months and supplements the £6.3 million facility with Leumi ABL. This new funding provides the headroom required to fund the changes being made and enables the Group to function normally.

With the demise of a key competitor in the Autumn, the Group is well positioned post these changes to return to profitability and be the first-choice supplier for all markets served by the Group. New product development, a key feature of recent years, continues but the focus in the near-term is to reduce manufacturing complexity and cost.

The Board continues to believe that a listing on AIM is not in the best interests of the Company or its shareholders, given the Company's size, capital structure and limited traded volumes of shares. The estimated cost of maintaining the listing is around £0.25 million per annum.

Overview

Results

Revenue for the first six months of the year was £15.9 million (2021: £19.9 million). Underlying demand for products has weakened during a period of significant economic turbulence and concern. The Group managed to pass through cost increases, albeit with a lag effect and continued to place new products in the market working closely with its customers.

The loss before tax was £3.8 million (2021: loss of £1.2 million; 2020: loss of £4.1 million). Whilst most cost increases have been passed through to customers, albeit with a lag, they have lowered margins and reduced demand. Volumes were 29% lower than the same period last year and this has been adjusted for by a voluntary redundancy programme which takes effect next week. As noted above, further cost savings of circa £3.0 million (25%) are being targeted for FY24.

Based on our review at the half year, there has been no impairment to the Group. The Directors are confident that the business can be restored to profitability over the coming trading periods, even if market conditions do not materially improve.

	6 months ended 30 Sept 2022 £000's	**6 months ended 30 Sept 2021 £000's**	**6 months ended 30 Sept 2020 £000's**
Loss before tax from continuing operations	**(3,751)**	**(1,214)**	**(4,699)**
Depreciation of property, plant and equipment	**614**	**667**	848
Amortisation of intangibles	**-**	**7**	23
Significant items	**303**	**75**	361
Finance costs	**851**	**1,044**	2,547
Other finance costs	**-**	**75**	91
Underlying adjusted EBITDA from continuing operations	**(1,983)**	**654**	**(829)**

Outlook and Current Trading

Overall, the Board expects that macroeconomic headwinds and their impact on trading conditions will not improve much in the near-term. The radical reform programme which was launched at the end of September 2022 is progressing well and the Board is confident that the Group can deliver EBITDA of between £2.0 million and £4.0 million next year. It is expected that further losses will be incurred during H2 of the current financial year, albeit some benefit from the price resets will dampen losses. Most of the cost savings will begin at the end of March 2023.

Finance Review

Results of continuing operations:	**6 months ended 30 Sept 2022 £000's**	**6 months ended 30 Sept 2021 £000's**	**6 months ended 30 Sept 2020 £000's**
External Revenue	**15,877**	**19,949**	15,354
Gross profit	**5,467**	**8,655**	5,690
Underlying adjusted EBITDA	**(1,983)**	**654**	(829)
Operating loss	**(2,900)**	**(95)**	(2,061)
Operating loss %	**(18.26)%**	**(0.5)%**	(13.4)%
Loss before tax	**(3,751)**	**(1,214)**	(4,699)

Group revenue for the six months ended 30 September 2022 was £15.9 million (2021: £19.9 million), £4.1 million (20.1%) behind September 2021, and slightly ahead of September 2020. At EBITDA level, the Group made a loss of £2.0 million compared to a profit of £0.7 million for the first six months a year ago; lower volumes, supply chain problems and higher costs impacted profitability hard. Loss before tax for the six months ended 30 September 2022 was £3.8 million.

Dividend

No dividend is proposed for the six months ended 30 September 2022 (2021: nil).

Pension Scheme

The Group offers a defined contribution scheme for all current employees that is funded monthly. In addition, the Company operates a defined benefit scheme that was closed to new members in 2000. The defined benefit assets decreased by £6.0m million to £15.4 million during the period (March 2022: £21.4m). The plan liabilities are £14.7 million compared to £19.9 million on 31

March 2022 (see note 6).

Cash Flow

During the six months to 30 September 2022, cash and cash equivalents reduced by £2.5 million. At 30 September 2022, net debt was £28.3 million (2021: £24.9 million), an increase of £3.1m since 1 April 2022. Net debt includes the loans and accrued interest from shareholders of £7.5 million, convertible loan notes ("CLNs") at fair value of £16.9 million, asset financing of £0.8 million, leased asset commitments of £0.2 million and a revolving credit facility of £3.2 million. Cash in the bank stood at £0.3 million. Net debt is calculated as total borrowings less cash and cash equivalents (see note 8).

Wavertree property

In April 2022, the Group sold its Wavertree Property. The property was purchased in 2015 and housed the Renshaw Academy until August 2019. Since then, it had been used as the New Product Development Centre and by Renshaw's marketing team. These were relocated onto Renshaw's manufacturing site at Crown Street, Liverpool bringing the Renshaw business together on one site. The sale made a small loss but generated net cash proceeds of £0.9 million of which £0.3m was spent on creating a new Innovation Centre adjacent to the factory.

Impairment Review

Throughout the last financial year, the Group made a number of operational improvements but felt it necessary book an impairment charge of £16.1 million to reflect market conditions and actions already in hand as at 31st March 2022. The Company does not require any additional impairments to be reported in the interim period to 30th September 2022 and given the radical reform being undertaken, does not expect, to book any further impairment this year.

This report was approved by the Board on 15 December 2022 and is signed on its behalf by:

Mike Holt
Executive Chairman

Consolidated Statement of Comprehensive Income - Continuing operations

	Notes	unaudited 6 months ended 30 Sept 2022 £000's	unaudited 6 months ended 30 Sept 2021 £000's	audited 12 months ended 31 Mar 2022 £000's
Revenue		**15,877**	**19,949**	**40,431**
Cost of sales		(10,410)	(11,294)	(24,301)
Gross profit		**5,467**	**8,655**	**16,130**
Furlough Income		-	24	-
Other operating income		3	12	56
Distribution expenses		(1,932)	(2,069)	(3,960)
Administrative expenses		(6,135)	(6,642)	(12,902)
Impairment charge on goodwill		-	-	(16,103)
Significant items	7	(303)	(75)	(310)
Operating loss		**(2,900)**	**(95)**	**(17,089)**
Finance costs		(851)	(1,044)	(1,891)
Other finance costs		-	(75)	2
Loss before tax		**(3,751)**	**(1,214)**	**(18,978)**
Income tax (charge)/credit		-	-	(2,384)
Loss from continuing operations		**(3,751)**	**(1,214)**	**(21,362)**
Profit from discontinued operations		**-**	**20,056**	**19,986**
Net profit / (loss)		**(3,751)**	**18,842**	**(1,376)**
Attributable to:				
Owners of the parent		(3,751)	18,842	(1,376)
Net profit / (loss)		**(3,751)**	**18,842**	**(1,376)**
Items that will not be reclassified to profit or loss				
Foreign exchange differences on translation of subsidiaries		37	(10)	(25)
Actuarial gain / (loss) on defined benefit plan		(768)	(77)	501
Pension provision IFRIC 14		-	(7,001)	-
Tax relating to items which will not be reclassified		177	75	527
Other comprehensive loss		**(554)**	**(6,859)**	**1,033**
Total comprehensive profit / (loss) for the period		**(4,305)**	**11,983**	**(373)**

		30 Sept 2022	30 Sept 2021	31 Mar 2022
Basic and diluted loss per share - continuing operations	3	**(4.32)p**	**(8.11)p**	**(21.46)p**
Basic earnings per share - discontinued operations		-	20.14p	20.07p
Diluted earnings per share - discontinued operations		-	6.00p	6.23p

Consolidated Statement of Financial Position

	Notes	unaudited 30 Sept 2022 £000's	unaudited 30 Sept 2021 £000's	audited 31 Mar 2022 2021 £000's
NON-CURRENT ASSETS				
Goodwill		16,619	37,722	16,619
Other intangible assets		-	3	-
Tangible fixed assets		7,765	8,084	8,066
Investments		-	-	-
Deferred tax asset		177	1,501	-
		24,561	**42,310**	**24,685**
CURRENT ASSETS				
Inventories		5,277	4,319	4,024
Trade and other receivables		5,590	7,311	6,572
Retirement benefit asset		750	-	1,497
Current tax assets		-	-	-
Cash collateral		50	50	50
Cash and cash equivalents		315 1	2,650	2,734
		11,982	**14,330**	**14,877**
Assets in disposal groups classified as held for sale	9	148	1,148	1,078
TOTAL ASSETS		**36,691**	**57,788**	**40,640**
CURRENT LIABILITIES				
Trade and other payables		6,657	6,548	6,665
Current tax liability		4	4	4
Borrowings	8	3,243	3,907	3,718
Lease liabilities	8	35	43	48
NCI put option		-	-	-
		9,939	**10,502**	**10,435**
NON-CURRENT LIABILITIES				
Borrowings	8	25,144	23,596	24,293
Lease liabilities	8	155	-	155
Derivative liability - Convertible Loan Notes		-	-	-
Deferred tax liabilities		648	216	647
Retirement benefit obligation	6	-	6,005	-
		25,947	**29,817**	**25,095**
TOTAL LIABILITIES		**35,886**	**40,319**	**35,530**
NET ASSETS		**805**	**17,469**	**5,110**
EQUITY				
Share capital		1,991	1,991	1,991
Share premium account		3,294	3,294	3,294
Share option reserve		-	3 38	-
Other reserve		540	-	540
Foreign exchange translation reserve		(48)	(70)	(85)
Retained earnings		(4,972)	12,251	(630)
TOTAL EQUITY		**805**	**17,469**	**5,110**

Consolidated Statement of Changes in Equity

For the six months ended 30 September 2022 (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 on 1 April 2022	1,991	3,294	-	540	(85)	(630)	**5,110**	-	**5,110**
Total comprehensive profit/(loss) for the period									
Profit/(loss) for the period	-	-	-	-	-	(3,751)	**(3,751)**	-	**(3,751)**
Other comprehensive loss for the period	-	-	-	-	37	(591)	**(554)**	- -	**(554)**
Total comprehensive profit/(loss) for the period	-	-	-	-	**37**	**(4,342)**	**(4,305)**	**-**	**(4,305)**
Balances at 30 September 2022	**1,991**	**3,294**	**-**	**540**	**(48)**	**(4,972)**	**805**	**-**	**805**

For the six months ended 30 September 2021 (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 2021	1,991	3,294	3	(4,796)	(60)	(282)	**150**	3,198	**3,348**

	Issued Share Capital	Share Premium Account	Share Option Reserve	Other Reserve	Foreign Exchange Translation Reserve	Retained Earnings	Total	Non-Controlling Interest	Total Equity
Total comprehensive (loss)/profit for the period									
(Loss)/profit for the period	-	-	-	-	-	18,842	**18,842**	-	**18,842**
Other comprehensive loss for the period	-	-	-	-	(10)	(6,849)	**(6,859)**	-	**(6,859)**
Total comprehensive (loss)/profit for the period	**-**	**-**	**-**	**-**	**(10)**	**11,993**	**11,983**	**-**	**11,983**
Transactions with owners of the Group, recognised directly in equity									
Loan Waiver	-	-	-	-	-	540	540	-	540
Reserves on sale of Brighter Foods				4,796	-	-	4,796	-	4,796
								(3,198)	(3,198)
Total contributions by and distributions to owners of the Group	**-**	**-**	**-**	**4,796**	**-**	**540**	**5,336**	**(3,198)**	**2,138**
Balances at 30 September 2021	**1,991**	**3,294**	**3**	**-**	**(70)**	**12,251**	**17,469**	**-**	**17,469**

For the twelve months ended 31 March 2022 (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 2021	1,991	3,294	3	(4,796)	(60)	(282)	**150**	3,198	**3,348**
Total comprehensive loss for the period									
Loss for the year	-	-	-	-	-	(1,376)	**(1,376)**	(3,198)	**(4,574)**
Other comprehensive (loss)/gain for the period	-	-	-	-	(25)	1,028	**1,003**	-	**1,003**
Total comprehensive loss for the period		**-**	**-**	**-**	**(25)**	**(348)**	**(373)**	**(3,198)**	**(3,571)**
Transactions with owners of the Group, recognised directly in equity									
Release of put option reserve	-	-	-	4,796	-	-	4,796	-	**4,796**
Share options lapsed in year	-	-	(3)	-	-	-	(3)	-	**3**
Waiver of debt by loan note holders	-	-	-	540	-	-	540	-	**540**
Total contributions by and distributions to owners of the Group	**-**	**-**	**(3)**	**5,336**	**-**	**(348)**	**5,333**	**-**	**5,333**
Balances at 31 March 2022	**1,991**	**3,294**	**-**	**540**	**(85)**	**(630)**	**5,110**	**-**	**5,110**

Consolidated Cashflow Statement

	Notes	unaudited 6 months ended 30 Sept 2022 £000's	unaudited 6 months ended 30 Sept 2021 £000's	audited 12 months ended 31 Mar 2022 £000's
CASH FLOW FROM OPERATING ACTIVITIES				
Adjusted for:				
Profit / (Loss) before taxation		(3,751)	18,842	1,008
Finance and other finance costs		852	1,119	1,889
FX movement		(1)	(17)	(3)
Profit on sale of discontinued business		-	(20,386)	(19,986)
Net loss on sale of property		159	-	-
Impairment on Asset held for sale		-	-	70
Impairment of Goodwill		-	-	16,103
Share option reserve credit		-	-	(3)
Fair value of derivative liability		-	(17)	-
Depreciation of property, plant and equipment		587	746	1,326
Amortisation of intangibles		-	7	9
Operating Cash Flow		**(2,154)**	**328**	**413**
(Increase)/decrease in inventories		(1,253)	(1,222)	(915)
Decrease in receivables		983	2,047	2,606
Pension contributions		-	(8,500)	(8,500)
(Decrease)/increase in payables		(8)	(2,800)	(2,518)
Reduction in cash collateral (increase in cash)		-	-165	165
Cash (used in) /from operations		**(2,432)**	**(9,982)**	**(8,749)**
Income taxes paid		-	-	-
Interest paid		(82)	(53)	(139)
Interest on lease liabilities		(4)	(7)	-
Net cash (outflow)/inflow from operating activities		**(2,518)**	**(10,042)**	**(8,888)**
CASH FLOW FROM INVESTING ACTIVITIES				
(Purchase), plant, and equipment		(402)	(223)	(844)
Proceeds from disposal of property		931		
Disposal of discontinued business, net of cash disposed of		-	32,085	33,153
Cost of disposal of Subsidiary				(1,138)
Net cash inflow/(outflow) from investing		**529**	**31,862**	**31,171**

activities		---	--,---	--,---
CASH FLOW FROM FINANCING ACTIVITIES				
Repayment of lease liabilities	8	(56)	(57)	(113)
(Repayment)/Interest of Investor Loans	8	-	(23,100)	(17,790)
Repayment of term loans		(387)	(433)	(865)
Interest paid on investor loans				(5,310)
Drawdowns on revolving credit facilities	8	14,203	19,390	36,045
Repayments of revolving credit facilities	8	(14,227)	(18,084)	(34,571)
Inflow / (repayment) of other loans		-	44	-
Net cash (outflow)/ inflow from financing activities		**(467)**	**(22,240)**	**(22,604)**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(2,456)**	**(420)**	**(321)**
CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of period		2,734	3,080	3,080
Effects of currency translation on cash and cash equivalents		37	(10)	(25)
Net movement in cash and cash equivalents		(2,456)	(420)	(321)
Cash and cash equivalents at end of period		**315**	**2,650**	**2,734**

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 229 Crown Street, Liverpool L8 7RF. 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 United Kingdom adopted International Financial Reporting Standards (IFRS) 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 2022 and 30 September 2021 are not statutory accounts and as such, have not been audited. The comparative financial information for the year ended 31 March 2022 included within this report does not constitute the full statutory accounts for that period. The statutory Annual Report and Accounts for 2022 have been filed with the Registrar of Companies.

Going Concern

With the radical reform project currently ongoing and the company securing additional funding of £2.5m form Hilco Capital to support the turnaround of the business on the 18 November 2022, the financial statements have been prepared on a going concern basis which the directors feel is appropriate.

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 on 30 September 2022.

2. Segment analysis

Geographical Segments

The Group earns revenue from countries outside the United Kingdom, these represent 31.5% of the total revenue of the Group to 30 September 2022 (6 months to 30 September 2021: 34.4% and 6 months to September 2020: 25.6%).

3. Earnings per ordinary share

Basic earnings per share

Basic earnings per share is calculated based on the loss attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue at the end of the period.

	unaudited	unaudited	unaudited	audited	audited
	6 months ended	6 months ended	6 months ended	12 months ended	12 months ended
	30 Sept 2022	30 Sept 2021	30 Sept 2021	31 March 2022	31 March 2022
	Continuing Operations	Continuing Operations	Discontinued Operations	Continuing Operations	Discontinued Operations
Loss/profit after tax attributable to ordinary shareholders (£'000s)	**(4,32)**	**(8,073)**	**(20,056)**	**(21,362)**	**19,986**
Weighted average number of shares in issue for basic EPS ('000s)	**99,564**	**99,564**	**99,564**	**99,564**	**99,564**
Employee share options & Convertible loan notes (CLNs) ('000s)	**239,408**	**234,434**	**234,434**	**220,980**	**220,980**
Weighted average number of shares in issue for diluted EPS ('000s)	**338,973**	**333,998**	**333,998**	**320,544**	**320,544**
Basic (loss)/profit per share - pence	**(4.32)p**	**(8.11)p**	**20.14p**	**(21.46)p**	**20.07p**
Diluted (loss)/profit	**(4.32)p**	**(8.11)p**	**6.00p**	**(21.46)p**	**6.23p**

per share - pence	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

The total basic loss per share at 30 September 2022 was (4.32)p for continuing operations (at 30 September 202 continuing operations basic loss per share: (8.11)p).

For the six months to 30 September 2022, the weighted average number of shares in issue was 99,564,430. There were also 8,806,571 convertible loan notes outstanding, of which the weighted average was 239,408,452. Therefore, the weighted average number of dilutive potential ordinary shares is 338,972,882

Diluted earnings per share

As at Sep 2022 there were no outstanding share options available to exercise. The comparative years included share options and the diluted earnings per share above assumees that these would have been exercised. For continuing operations, the potential ordinary shares are considered anti-dilutive as they decrease the loss per share. Therefore, diluted EPS is the same as basic EPS for continuing operations. For the discontinued operations, however, the earnings per share can be diluted. In the comparative, If all the shares had been exercised before the end of the period, the loss per share would then have been (8.11)p on the continuing operations and there would have been an earnings per share of 6.00p on discontinued operations (2020: earnings of 0.73p on continuing and 0.23p on discontinued operations).

4. Dividends

The Directors are not recommending an interim dividend (2021: 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 a defined benefit scheme, the Napier Brown Retirement Benefits Scheme, which closed to new members in 2000. The assets of the scheme are held separately from those of the Group in an independently administered fund. Following the sale of Brighter Foods, the Group injected £8.5 million into the scheme to eliminate the pension scheme deficit on an ongoing funded basis at that time. Contributions in the first six months of last year were £249,999.

On 8 November 2022 the Company entered into a funding agreement with the Trustee and agreed to pay £50,000 each month with effect from 1 January 2023 to repair the pension deficit of £1,523,000 based on the agreed actuarial valuation as at 31 March 2021. As this agreement was not in place last year, under IFRIC14 accounting rules a liability of £6.0 million was recognised at 30 September 2021 being the value of contributions which were due under the old contribution schedule. As the valuation of the pension assets at 30 September 2022 exceeded the present value of liabilities at that date, an asset of £751,000 is on the balance sheet.

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	**Unaudited**	**audited**
	30 Sept 2022	**30 Sept 2021**	**31 Mar 2022**
	% per annum	**% per annum**	**% per annum**
Rate of increase in pension payment	3.60	34	3.70
Discount rate	5.20	2.00	2.80
Inflation assumption	3.70	3.60	3.80
Revaluation rate for deferred pensions	3.20	2.90	3.30

Scheme deficit

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

	unaudited	**unaudited**	**audited**
	30 Sept 2022 £'000s	**30 Sept 2021** £'000s	**31 Mar 2022** £'000s
Total fair value of assets	15,482	23,388	21,426
Present value of scheme liabilities	(14,731)	(22,186)	(19,929)
Effect of IFRIC14	-	(7,207)	-
Surplus/(Deficit) in the scheme	**751**	**(6,005))**	**1,497**

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.

7. Significant Items and Impairments

The Group's underlying profit figure excludes several 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	unaudited	audited
	30 Sept 2022	30 Sept 2021	31 Mar 2022
	£000's	£000's	£000's
Professional fees in relation to Liverpool factory	(41)	-	-
Professional fees in relation to refinancing costs	-	-	(62)
Loss on disposal of Wavertree property	(159)	-	(90)
Other legal Costs	-	(75)	
Closure of Renshaw US warehouse	-	-	(15)
Management restructuring	(103)	-	(143)
Total significant items and impairments	**(303)**	**(75)**	**(310)**

8. Borrowings

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

	unaudited	unaudited	audited
	30 Sept 2022	30 Sept 2021	31 Mar 2022
	£000's	£000's	£000's
Revolving credit facility	3,243	3,100	3,267
Investor loans	7,491	7,022	7,256
Other loans	-	-	-
Convertible loan notes	16,856	15,763	16,303
Asset finance	798	1,618	1,185
Lease liabilities (IFRS 16)	190	43	203
Government grants	-	-	-
Total Borrowings	**28,577**	**27,546**	**28,214**
Amount due for settlement within 12 months	3,243	3,950	3,766
Amount due for settlement after 12 months	25,334	23,596	24,448

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 are due to be repaid on 19 May 2024.

Investor Loans

The repayment date of the investor loans was amended on the 18 November 2022. All loans, including the Convertible Loan Notes, are now repayable in full on 19 May 2024.

9. 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 as of 30 September 2022.

The property in Wavertree, Liverpool has now been sold. The asset was held within the Head office operating segment. The asset is classified as held for sale within the consolidated statement of financial position as of 30 September 2021 and 31 March 2022.

	unaudited	unaudited	audited
	30 Sept 2021	30 Sept 2021	31 Mar 2022
	£000's	£000's	£000's
Property near Bristol	**148**	148	148
Property in Wavertree, Liverpool	**-**	1,000	930
Assets held for sale	**148**	**1,148**	**1,078**

10. Contingent Liability

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 FY22 Annual Accounts.

11. Post period end

On 18 November 2022 the Company secured additional funding of £2.5m to support the company's programme of radical reform. The new funding is being provided by Hilco Private Capital for a term of twelve months and supplements the existing £6.3m facility with Leumi ABL.

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