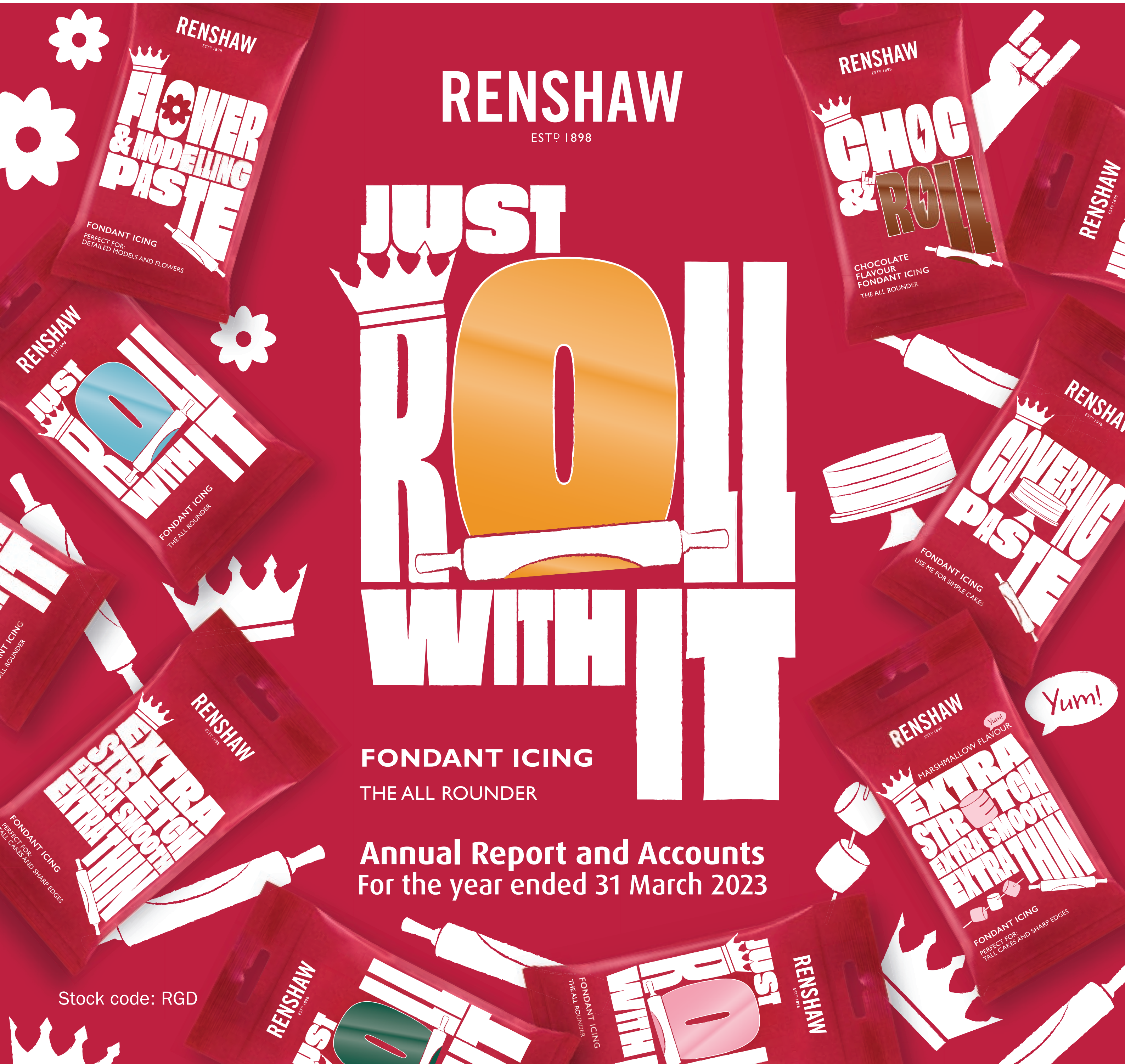
Real Good Food plc

Cake Decoration



Annual Report and Accounts
For the year ended 31 March 2023

Stock code: RGD

Cake Decoration

The Group's current objective:

To deliver a return on investment for all our stakeholders.

The Group's current strategy:

During the year, the Group has implemented a radical reform programme involving price resets, process efficiencies and cost savings to restore profitability and reshape the business to generate sustainable profits.

www.realgoodfoodplc.com

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Overview

Financial highlights

- Revenue decreased by 19.8% to £32.4 million (2022: £40.4 million) due to macroeconomic headwinds.
- EBITDA loss of £4.8 million (2022: £0.2 million profit) reflected reduced gross margins and operating leverage.
- Loss before tax was £9.0 million (2022: £19.0 million loss, including £16.1 million goodwill impairment).
- Additional £2.5 million revolving credit facility secured from Hilco Private Capital in November 2022 and £0.55 million in short-term shareholder loans (from Downing and Omnicane) on 6 April 2023 to support the Group's radical reform programme.
- Total net debt increased to £31.2m (2022: £25.5m).

Operational highlights

- Volumes were about 26% lower year-on-year, the most severe reductions being US sales (32% lower) and sales into Europe (22% lower). The reductions were market driven rather than customer losses.
- Key input costs continued to rise during the year with costs on average being 30% higher. The impact on the business was partly mitigated with prices to customers being increased, averaging 21% with increases ranging between 5% and 34% (overall in-year impact being 10.6%). Limited availability of key ingredients across the sector also affected performance.
- The impact of reduced volumes and the lag effect of passing cost increases through to customers reduced gross margins from 39.9% to 33.3%; margins in the current year are better and continue to improve (currently 35.9%).
- A radical reform programme, which was launched in September 2022 to return the business to profitability, is almost complete and tracking in line with expectations. To date, circa £8.0 million of price resets, efficiency gains and cost savings have been secured for FY24.
- Evidence based rebranding of Renshaw fondant to "Just roll with it" was launched in September 2022, making products more accessible to all customers whilst launching new products and diversifying into complementary products.

Current trading

- Market conditions remain challenging albeit the self-help improvements made since September 2022 have been transformational.
- New management is in place to continue to drive the radical reform programme.
- After five months of trading in FY24, demand is higher than last year and despite sales being broadly the same due to cash constraints, EBITDA is better.
- The Group has recently agreed terms for a 12-month extension of the Hilco loan facility through to 18 November 2024. The facility is being renewed at £2.3m. A further announcement will be made in due course.

GROUP REVENUE

£32.4m

2022
£40.4m

GROSS PROFIT

£10.8m

2022
£16.1m

GROUP EBITDA (adjusted)

(£4.8m)

2022
£0.2m
(EBITDA from continuing operations)

Financial information presented relates to continuing operations.

The Group in Summary

Real Good Food has two businesses, JF Renshaw and Rainbow Dust Colours.

JF Renshaw

Renshaw is celebrating its 125th Anniversary. It is the leading British manufacturer of ready to roll fondant icing, marzipan, frostings, caramels and mallows for the grocery retail, wholesale, B2B manufacturing and specialist channels. Renshaw products are sold in the UK, Europe, USA and other international markets. About 59% of its business is private label. The business designs and manufactures products from its factory in Liverpool and employs 185 people.

Rainbow Dust Colours

Rainbow Dust Colours was acquired in 2015. It manufactures and supplies the cake decorating market with an extensive range of products. Products are used to add colour, lustre and shine to cakes, biscuits, meringues and drinks. Automated and semi-automated mixing and filling is performed at its factory in Preston which employs 16 people.

Real Good Food

Cake Decoration

REVENUE
£32.4m
2022: £40.4m

EBITDA Profit (adjusted)*
£(4.1)m
2022: £1.0m

OPERATING (Loss)
£(5.9)m
2022: £(0.5)m

EMPLOYEES
201
2022: 314

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HEAD OFFICE

EBITDA (Loss) (adjusted)*
£(0.6)m
2022: £(0.4)m

OPERATING (Loss)
£(1.2)m
2022: £(46.2)m

EMPLOYEES
3
2022: 4

*See note 5 for reconciliation

Cake Decoration

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

Renshaw: Liverpool, 184 employees

Rainbow Dust Colours: Preston, 16 employees

Renshaw Europe: Europe, 1 employee

Chair's Statement

Overview

Trading conditions for the year ended 31 March 2023 were challenging throughout the year due to the perfect storm of rising costs and lower revenues following a brief recovery post-Covid-19. The war in Ukraine, continuing cross border trading issues with Europe (post Brexit) and significant cost inflation impacted the availability of key ingredients and services, increased costs and, with fears of recession and prolonged austerity for consumers, reduced demand for our products. This resulted in the Group incurring an EBITDA loss of £4.8 million on revenue of £32.4 million, £8.0 million (19.8%) lower than the previous year.

As announced in October 2022, the Board has put into effect a well-defined plan to radically reform the Group. As part of the radical reform, key functions were systematically re-engineered to improve business processes and create smarter ways of working throughout the business. The recovery plan included significant price resets with customers across all sectors to address market distortions, overhead cost savings and further manufacturing efficiency gains. In total, the price reset delivered a benefit of £0.7 million in FY23 and should deliver circa £3.9 million in FY24. Cost savings of £0.1 million were realised in FY23 and circa £2.1 million has been secured for FY24 (making the total circa £2.6 million when added to savings actioned earlier in FY23) against a plan of £3.0 million; about £0.4 million remains unrealisable whilst the Group continues to be AIM listed. About a third of the manufacturing efficiencies have been actioned to date. The cost of the recovery plan was £1.1 million, including £0.8 million of redundancy payments. As part of the plan, employee numbers decreased by 45% from 318 to 201 and have since reduced to 186 (106 in production related activities and 80 in business support functions).

During FY23, input costs increased by circa 20%. In response, the Group increased selling prices and for most customers also reset prices for certain products to deliver satisfactory margins. On average, prices were increased by 21% of which the in-year effect was 10.6% due to timing, many contracts having set annual pricing dates. Current selling prices are circa 27% higher than they were at the start of FY23. Volumes for the year were about 26% lower than the year ended 31 March 2022, albeit performance during H2 was marginally better. Whilst increased selling prices may have contributed, we believe that the volume reduction is more generally a recessionary response to household incomes being lower in real terms. The Group continues to work collaboratively with customers to win new business, notable examples being a new range (Bake & Create) for B&M, new products for Hobbycraft, Lakeland, Asda and Lidl, and new business following the demise of a competitor (Food Innovations).

Renshaw Rebranding

Following research conducted in 2021, Renshaw's own brand products were rebranded in September 2022 with a new improved recipe providing the functionality that regular users love, whilst making it easier to knead, roll and correct slight imperfections which anyone can make, to ensure a positive experience for every user, including first-time users. The "just roll with it" rebrand has been well received and product range rationalisation has made choosing the right product easier for all users. We are hopeful that this will add sales in more normal market conditions.

Product Launches

In total the business has launched 69 products into the market, across Retail, Renshaw Brand, International and B2B channels. In 2021 we were first to market with a ready-to-use on-trend drip icings range which has continued to be a focus with retail and international customers this year. We have expanded all year-round lines of frostings with exciting trending flavours and colours to tap into key occasions to drive consumer interest. This year we have gained shelf presence within the dessert sector with innovative dessert sauces driving new consumers to purchase our products.

We will continue to review and tap into new and innovative trends to keep customers engaged and excited about what's up and coming within the home baking category and to gain listings within new channels.

Wavertree Property

At the beginning of the year, the Group sold its Wavertree property. The sale made a small loss but generated net cash proceeds of £0.9 million, £0.3 million of which was spent on creating an Innovation Centre on the Crown Street site next to the main factory. The Wavertree property was purchased in 2015 and housed the Renshaw Academy (until August 2019), the New Product Development team and Renshaw's marketing team.

Cash management

The Group secured an additional £2.5 million in funding on 21 November 2022 from Hilco Private Capital to support its turnaround plan and supplement the existing £6.3 million facility with Leumi ABL. The new facility was on a twelve-month term, but we are pleased to report that within the last few days £2.3 million of this has been extended by another year to November 2024. The Group also received a £0.55 million short-term loan from Downing LLP and Omnicane Investors Ltd on 5 April 2023. During H1 of the new financial year (FY24), cash has been tight adding to some of our supply chain issues, but we are pleased to report that near-term projections forecast an improving trend with a reduction in borrowings by the end of the calendar year (Q3/FY24).

Dividend

No dividend is being proposed for the year. The Group is highly leveraged and the Board's focus is on reducing the total level of debt.

Board & Management Changes

In September 2022, Maribeth Keeling who had been appointed as Group Finance Director in July 2019 left the business to pursue other interests. Maribeth was replaced by John Tennant on an interim basis. Gail Lumsden, having served three years as an independent non-executive director, stepped down from the Board to dedicate more time to other non-executive commitments in December 2022. Gail was replaced by Andy Richardson in January 2023. Andy has a wealth of experience across a range of organisations and a strong track record of business transformation and is making valued contributions to the Board. As I did with Gail, Andy and I meet independently of the Board to discuss matters concerning Loan Note Holders and major Shareholders. In August 2022, Anthony Ridgwell stepped down as a non-executive director having served a term of three years.

During October 2023, Joe Beardwood will be joining the Group and will replace John Tennant at the end of December as Group Finance Director. Like John, Joe has significant Finance Director experience in turnaround and private equity situations.

Since year-end, John Tague joined the Group to replace Steve Moon who stepped down as Managing Director of JF Renshaw and Rainbow Dust Colours in July 2023. John has relevant, and highly successful, experience in similar roles at Halo Foods and Seabrook Crisps.

Strategy

The Group's strategy is to maximise value for shareholders by leveraging productive capacity. The Group has a valued heritage, and the strategy is to leverage this with new products and class leading service.

As Renshaw celebrates its 125th Anniversary, the aim is to consolidate its market leading position in the UK, build sales in the USA, accelerate growth in caramels and sauces, and diversify into products that use the same equipment or process know-how. Growth in these areas should counterbalance the gradual decline in fondant icing and marzipan.

Further improvements in profitability, building on the recent and successful radical reform programme noted earlier, will be targeted by additional manufacturing efficiencies. Our Crown Street factory is old but is in reasonable condition and space is becoming available to improve its configuration and workflow.

The Group remains open to divesting parts of its business for the right value at the right time.

De-listing

The Board continues to believe that an AIM listing adds cost but no real value to shareholders. Given that the concentration of minority shareholdings has marginally increased since the last vote on de-listing, which received 71% of votes cast in favour (4% short of the required majority for a special resolution), a new proposal to de-list is not being proposed despite the clear benefits of lower costs and greater agility and flexibility to maximise shareholder value.

Outlook

The successful implementation of our transformation plan has positioned the Group to deliver between £3 million and £4 million in EBITDA annually beyond FY24.

Market conditions remain challenging. We are however starting to see volumes in some segments slowly rebuild. Over the last few months, our trading performance has been affected by our tight cash position, but we are gradually trading our way into a better place as the seasonally busier autumn season kicks in. After five months of trading, demand is higher than last year and despite sales being broadly the same due to cash constraints, EBITDA is better. The radical reforms we have made over the last eight to nine months have been transformational and, with new management now in place, the Group is well positioned to make further gains, particularly in manufacturing efficiencies, sales, and customer focus.

Finally, I would like to thank our employees who have worked hard to overcome various challenges, to ensure that products and customer service continued (and continue) to be delivered and embraced the necessary changes for a sustainable future.

Mike Holt
Executive Chair
20 September 2023

Finance Review

Revenue

Group revenue for the 12 months ending 31 March 2023 was £32.4 million (2022: £40.4 million), a decrease of 19.8% on revenue to 31 March 2022. Trading conditions were challenging throughout the year with significant increases in costs, restricted availability of key ingredients, and lower demand due to macroeconomic headwinds and fears of recession/extended period of austerity.

Profit measure on operations

Gross profit for the Group was £10.8 million (2022: £16.1 million), resulting in a gross profit margin of only 33% compared to 40% in the prior year. This reflects the lag effect of increased prices and costs and the operational leverage from lower volumes.

The operating loss in the year of £7.1 million is reported after depreciation charges of £1.1m and significant items of £1.3m. The significant costs incurred relate to redundancy payments totalling £0.8 million, consultancy costs of £0.3 million associated with the programme of radical reform and the loss on the sale of Wavertree amounting to £0.2 million.

The adjusted EBITDA of the underlying continuing business was a loss of £4.8m.

The items adjusted for are:

Significant Items:	£1.3m
Depreciation:	£1.1m

After finance costs of £1.9 million, this resulted in a loss before tax for the year of £9 million (loss 2022: £18.9m).

Cash flow and net debt

The Group secured an additional £2.5 million in funding on 21 November 2022 from Hilco Private Capital to support its turnaround plan and supplement the existing £6.3 million facility with Leumi ABL. The new facility was on a twelve-month term, but we are pleased to report that within the last few days £2.3 million of this has been extended by another year to November 2024. The Group also received a £0.55 million short-term loan from Downing LLP and Omnicane Investors Ltd on 5 April 2023. During H1 of the new financial year (FY24), cash has been tight adding to some of our supply chain issues, but we are pleased to report that near-term projections forecast an improving trend with a reduction in borrowings by the end of the calendar year (Q3/FY24).

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

12 months to March	2023 £'000s	2022 £'000s
Revenue	**32,441**	40,431
Gross profit	**10,810**	16,130
Delivered margin	**7,359**	12,170
Delivered margin %	**22.68%**	30.0%
Underlying EBITDA (adjusted)*	**(4,757)**	227
Operating (loss) before impairment and significant items	**(5,814)**	(679)
Operating loss after impairment and significant items	**(7,100)**	(17,089)
Operating loss %	**(21.89%)**	(42.4%)
Loss before tax	**(9,003)**	(18,978)

All figures refer to continuing businesses.

* See note 5 for reconciliation

Going Concern and Post Balance Sheet Events

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate for the reasons set out below.

As described in the Change to Business Overview, the current economic environment remains difficult, and losses have led to cash constraints which is impacting current trading. The Directors have prepared financial forecasts for the Group, comprising income statements, balance sheets and cash flows through to March 2025. In assessing the appropriateness of the Group's accounts being prepared on a going concern basis, the Directors have considered short-term constraints, and how to manage through these, and factors likely to affect its planned future performance.

As noted in the Strategic Report and Business Overview, the radical reform of the business has been successful, and the Group expects to be EBITDA positive at similar volume levels to last year. Volumes are expected to be better in FY24, albeit the Group is currently unable to fulfil sales orders in full due to shortages of key ingredients and services because of cash constraints. The Group is slowly working through this and is looking to sell some assets to help boost cash resources. Critical to success is the ability to pass through ongoing cost increases to customers. Price increases have already been agreed with a number of UK Retailers, most international customers and several wholesale and B2B customers with more expected in the next couple of months. The forecasts anticipate cash balances of circa £2 million by 31 December 2024, £3.5 million by 31 December 2025 with average cash balances of about £1 million. Based on current projections, the lowest point next year will be in September 2024, but a collaboration is being sought with the Group's largest customer to more evenly phase deliveries during calendar year 2024, which will alleviate this dip.

In recent months, several key management roles have been refreshed and these are already making a very positive contribution to performance, upskilling, and organisational culture.

The cash flow forecasts reflect the extension of £2.3 million of the £2.5 million loan facility with Hilco Private Capital to 18 November 2024 and continuation of the £6.6 million facility with Leumi ABL

On 6 April 2023, the Group secured a £550,000 short-term loan from Downing LLP and Omnicane Investors Ltd, two of its principal shareholders and loan note holders. An interest rate of 12% annualised is payable on repayment together with a redemption premium. If the loan is repaid before 6 October 2024 a 100% redemption premium is payable or if the repayment is after 5 October 2024 the redemption premium is 200%.

In July 2023, John Tague was appointed as MD of JF Renshaw and Rainbow Dust Colours replacing Steve Moon. John has significant expertise and a track record of managing successful business transformations.

A 12-month extension has been agreed with Hilco Private Capital to roll-over £2.3 million of the £2.5 million facility dated 18 November 2022.

Dividend

The Directors do not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: nil).

Key Performance Indicators

The Board monitors a range of financial and non-financial key performance indicators, reported on a regular basis, to measure the Group's performance. The key performance indicators, all based on continuing operations, are set out below. The Board has reviewed these key performance indicators and considers they remain appropriate.

	COMMENT
REVENUE GROWTH **Revenue is calculated for continuing business and is from external sources only.**	Group revenue for the 12 months ending 31 March 2023 is £32.4 million (2022: £40.4 million), a decrease of 19.8% on revenue to 31 March 2022. Macro-economic headwinds were challenging throughout the year with significant increase in costs and availability of key ingredients, the conflict in Ukraine and the continuing cross border trading issues with Europe (post Brexit).
EBITDA (ADJUSTED) ON CONTINUING ACTIVITIES **EBITDA (adjusted) is defined as earnings before significant items, interest, tax, depreciation, amortisation, and impairment charges.**	The EBITDA (adjusted) loss was £4.8 million (2022: Profit of £0.2 million).
NET DEBT **Net debt is the total Group borrowings less cash at bank.**	Net debt in the year has increased to £32.2million (FY22 £25.5m); net debt is predominantly shareholder loans.
DEBT COVER **Debt cover is calculated by dividing total net debt by EBITDA (adjusted).**	The Group measures the changes on debt cover year on year. The debt cover for the year was 5.69 (2022 37.61)
ACCIDENT FREQUENCY RATE **The accident frequency rate is the number of RIDDOR accidents per 100,000 hours worked.**	A higher number denotes a higher risk. The number of RIDDOR accidents in FY23 was 3, on par with FY22. The target for RIDDOR accidents is nil. This has not been achieved; however, the Group continues to invest in training to further reduce accidents and will continue to support the businesses to achieve the target.

Corporate Social and Environmental Responsibility

Real Good Food plc recognises its responsibility to, and how much it benefits from, the communities of which it is a part. Embracing its corporate social responsibility to its stakeholders and within its communities is therefore an important part of building long term sustainable businesses in the Group.

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

The Responsible Business Framework in place has three key objectives:

- To be the employer of choice in its local community.
- To be actively involved within its communities and to build a reputation for social responsibility.
- To continue to strengthen its reputation for respect, integrity and innovation with our customers, suppliers, employees, and partners.

Health and safety

Commentary 2022/23

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

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

- A dedicated health and safety manager is being recruited for J F Renshaw, roles and responsibilities are currently with the technical manager. There has been a reduction in the number of accidents and incidents during the year reflecting the ongoing training and improved processes taking place in the business.

2023/24 Priorities

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

Risk Management

The risks facing the Group relate to events, and depend on circumstances, that may or may not occur in the future. The Board recognises that risks and uncertainties could affect the delivery of its strategic objectives, and over the past year has continued to implement improvements in the Group's governance. The risk register is reviewed at least quarterly at the Group Board. The principal risks of the Group as a whole are set out below.

Demand for products and market share

Many factors affect the level of consumer spending in the food industry and consumer preferences and spending habits change as a result of factors that are difficult to predict, including lifestyle, nutritional and health considerations. The Group has expertise in the categories within which it operates and builds on shopping insights to predict a change in trends and develop new products for changing habits.

The Group may experience increased competition from existing or new companies, especially at a time when the major retailers may experience more difficult trading conditions. The Group's sales fluctuate seasonally, with products sold during Christmas and Easter accounting for a significant portion of the Group's overall revenue. The Group maintains close relationships with its existing customer base and continues to develop research-led innovative products. To reduce dependency on the UK further, the Group has focused on growing its market share in selected export markets.

Macroeconomic environment and Brexit

The Group has no control over fluctuations in the longer-term price and availability of ingredients. Following Brexit, there has been a period of uncertainty with logistics and the transportation of goods through customs, this has started to settle down as the customs officials become more acquainted with the documentation. The Group manages the impact of commodity price inflation and foreign exchange through natural hedging.

Regulations and safety

Food safety, environmental protection and employee health and safety are constantly evolving areas of responsibility for the business, and subject to increasing regulation at home and abroad. Any incident could have an impact on the Group's reputation and customer confidence. The individual businesses of the Group have responsibility for ensuring that safe standards are maintained.

Pension liabilities

The Group operates a now-closed defined benefit pension scheme which exposes the Group to changes in investment returns, discount rates, life expectancy and inflation risks. Following the triennial valuation of the pension fund carried out on 31 March 2022 and a new deficit repair contribution rate of £0.6 million per annum was agreed from 31 January 2023 for three years.

Working Capital & Cash flow

For the Group to have sufficient working capital for its needs, the Board regularly monitors the Group's cash position. The Directors, after due consideration, have a reasonable expectation that the company and the Group have adequate resources to continue in operational existence for the next 12 months. At the present time the seasonality of product demand, coupled with the timing of benefits from the reform programme, has led to greater cash scrutiny. The Group is working closely with its suppliers and the Board believes that additional headroom will be available in the coming weeks.

Regulatory and legal

The Board monitors and considers corporate governance changes and makes the appropriate changes in the business.

This report was approved by the Board on 20 September 2023 and is signed on its behalf by:

Mike Holt
Executive Chair

Board of Directors

Mike Holt
Executive Chair

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

Mike has significant public company board, general management, financial management and M&A experience. He was CFO of Low & Bonar PLC, an international performance materials Group, between 2010 and 2017. Prior to that, he was CFO of Vp plc, the specialist equipment rental group, for over six years from 2004. Before joining Vp, Mike held senior financial positions within Rolls-Royce Group in the UK, USA, and Hong Kong. He is a fellow of The Institute of Chartered Accountants in England and Wales and a member of The Association of Corporate Treasurers. Mike qualified as a Chartered Accountant with Arthur Andersen. Mike is also a Trustee and Director of Hollybank Trust Ltd. and Derby Diocesan Academy Trust Ltd.

Gail Lumsden
Non-Executive Director

Gail has significant experience in driving profitable growth and leading major change in both large, global corporates and SMEs. Having held senior executive roles in strategy, finance, and commercial at Diageo Plc and SABMiller Plc for over 20 years, Gail runs her own advisory business and serves as a non-executive director on the Industrial Development Advisory Board. Having been a director for three years, Gail resigned on 31 December 2022 to devote more time to extend her other commitments.

Maribeth Keeling
Chief Financial Officer and Company Secretary

Maribeth has considerable public company experience, having specialised particularly in the turnaround and performance improvement of various companies in a variety of sectors, and has worked predominantly in listed entities (main market and AIM), but also in private companies and the not-for-profit sector. Maribeth resigned on 30 September 2022 to pursue other interests.

Anthony Ridgwell
Non-Executive Director

Anthony has been working within Napier Brown Group of companies since leaving university. He is a director of Napier Brown and Napier Brown Holdings Limited managing an investment portfolio. Antony resigned on 23 August 2022 to concentrate on other interests.

Jacques d'Unienville
Non-Executive Director

Jacques has nearly 20 years' experience of sugar and related industries (independent power production, waste and environment management and renewable energy) in France, the Seychelles and Mauritius. He is the CEO of Omnicane and the chairperson of Omnicane Thermal Energy Operations (La Baraque) Ltd and Omnicane Thermal Energy Operations (St. Aubin) Ltd. He has served as president of the Mauritius Sugar Syndicate and as president of the Mauritius Sugar Producers' Association.

Andy Richardson
Non-Executive Director

Andy was appointed to the Board on 1 January 2023. He has a wealth of expertise across a range of organisations at CEO, Chair and non-executive levels, including having been Chairman of Rubicon Partners, CEO of Arc Specialist Engineering Limited and CEO of Metalrax Group Plc.

Andy has a particular interest and expertise in manufacturing transformation, which are very relevant to the radical reform programme which is underway within the Group. Andy will take over as Chair of The Remuneration Committee and may undertake some manufacturing consultancy should the need arise.

Judith A MacKenzie
Non-Executive Director

Judith joined Downing LLP in October 2009 and is Partner and Head of Public Equity. Previously she was a partner at Acuity Capital, a buy-out from Electra Private Equity, where Judith managed small company assets. Prior to Acuity, she spent seven years with Aberdeen Asset Management Growth Capital as co-Fund Manager of the five Aberdeen VCTs, focusing on technology and media investments in both the public and private arenas. Judith has held a number of public and private directorships.

Report of the Directors

The Directors present their report and the audited financial statements for the year ended 31 March 2023.

Corporate governance

The Board recognises and understands the importance of good corporate governance. We have elected to adopt the Quoted Companies Alliance Corporate Governance Code (the 'QCA Code') which we believe has been constructed in a simple, practical and effective style and that meaningful compliance with its 10 main principles should provide shareholders with confidence in how the Group operates.

Section 172 of the Companies Act 2006 requires Directors to take into consideration the interests of stakeholders and other matters in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, the impact of our business in the communities we operate, the environment and the Company's reputation for good business conduct, when making decisions. In this context, acting in good faith and fairly, the Directors consider what is most likely to promote the success of the Company for its stakeholders in the long term. We explain this in the report and below:

Relationships with key stakeholders such as our customers, colleagues, suppliers, investors are explained in more detail on page 15.

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

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

Below shows each principle, and how the Group complies:

Principle	How Real Good Food plc complies
1. Establish a strategy and business model which creates long-term value for shareholders.	The objective and strategy of the Group is to deliver a return on investment for all our shareholders, providing a stable financial platform through improving the profitability of the Group as a whole and its constituent businesses. The execution of the strategy is to support and guide the Group in their daily operation by clear objectives and articulated strategies, such strategies being updated as necessary on a regular basis.
2. Seek to understand and meet shareholder needs and expectations.	The Board has representation of a large proportion of its shareholder base – they can, and do, communicate the thoughts and requirements of the shareholders regularly. Contact details of Executive Directors are made available to other shareholders who wish to make contact. This is actively encouraged. The Board receives share register analysis reports to monitor the shareholder base and identify the types of investors on the register. All shareholders are invited to attend the AGM and Directors make themselves available before and after the meeting for further discussion. However, due to the Covid-19 situation in 2020 this was not possible. Shareholders were given the opportunity to send questions to be raised at the AGM. The Executive Chair also did a separate presentation and question and answer session during the year for the benefit of shareholders.
3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.	The Group regards its shareholders, employees, customers, suppliers, and advisors as all being important parts of the wider stakeholder group. Management regards our employees as our greatest asset, engaging with them on a regular basis as referred to in the directors' report. Management clearly places particular importance on its day-to-day relationships with customers, with significant effort directed to ensuring these are managed appropriately. The businesses work with many customers and suppliers and have developed a partnership way of working to continue the successful trading relationships. Shareholders are important to the business and continue to support the businesses and the strategy in place. The Group records customer service levels – OTIF (on time in full), for example and customer communication including complaints. The Group had a reduction in complaints year on year and continues to strive to reduce this. There is a feedback system in place for service levels and issues raised can be addressed.

Report of the Directors (continued)

Principle	How Real Good Food plc complies
4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.	A risk register is compiled by the Audit Committee, detailing the risks identified within the businesses, and the Group as a whole. It is regularly updated and is presented at Board meetings for discussion each time a change has been made, or quarterly, whichever is the shorter period.
5. Maintain the Board as a well-functioning, balanced team led by the Chair.	Following further changes to the Board since the year end, the Board, chaired by Mike Holt, currently comprises two Executive and four Non-Executive Directors. As executive chairman, Mike is primarily responsible for the Group's approach to corporate governance and the application of the principles of the QCA Code. Andrew Richardson is the Group's Independent Director. Each Board member commits sufficient time to fulfil her or his duties and obligations to the Board and the Group. Each Director attends monthly Board meetings and joins ad hoc Board discussions, as necessary. The Board is supported by its Audit Committee and its Remuneration Committee. The plc Board meets at least once a month, with additional meetings held as and when required. The Audit and Remuneration Committees meet at least twice a year. At the start of the Covid-19 pandemic, the Board met virtually on a weekly basis. During the year, there were 29 Board meetings held primarily due to the sale of Brighter Foods.
6. Ensure that between them the Directors have all the appropriate experience, skills, and capabilities.	The descriptions on page 10 identify each member of the Board and describes her or his relevant experience, skills, and qualities. The Executive Chair and the Board as a whole believes that the Board has a more than sufficient and suitable mix of experience, skills and competence which covers all the disciplines essential to bring a balanced perspective to enable the Group to deliver its objective. The Board is currently comprised of one Executive Directors and 3 Non-Executive Directors, one of whom is independent and comprises three men and one woman, ranging in age from their mid-40s to early 60s. Updates to members of the Board on regulatory matters are given by Board members themselves where appropriate and/or by Group's professional advisors.
7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.	Against the background of the articulated objective for the Group, the performance of the Board as a whole may be judged, through the eventual attainment of financial measures, including adjusted EBITDA, operating cash flow and net debt. The Board has opted for annual reselection at the AGM. The Board is planning to undertake a formal assessment in quarter 3 of 2023.
8. Promote a corporate culture that is based on ethical values and behaviours.	The Board recognises that the values it espouses provide the framework which influences all parts of the Group. The Executive Officer takes the lead in developing the corporate culture and looks to encourage all employees to contribute to the enjoyment and success of the business, the formulation of the tactics to deliver the objective and strategy and to the promulgation of the core values. The Human Resources team have long promoted the Group's values which underpin conditions of employment.
9. Maintain governance structures and processes that are fit for purpose and support good decision making by the Board.	The Executive Board members generally have clear overall responsibility for managing the day-to-day operations of the Group and the Board as a whole is responsible for monitoring performance against the Group's goals and objectives. The roles of the Audit Committee, the Remuneration Committee and the Board of Directors are clearly defined within this report.
10. Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.	The Group strives to maintain a regular dialogue with stakeholders including shareholders to enable any interested party to make informed decisions about the Group and its performance. The Board believes that greater transparency in its dealings offers a level of comfort to stakeholders and an understanding that their views will be heard and considered appropriately.

The Board meets once per month and reviews the performance of the business at each meeting. The Board has delegated certain responsibilities to the Audit and Remuneration Committees, details of which can be found on pages 17 and 19.

Section 172 Statement

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

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

The Board regularly reviews the Company's principal stakeholders and how it engages with them. This is achieved through information provided by management and by direct engagement with stakeholders themselves. The key Board decisions made from 1 April 2022 to 31 March 2023 are set out below.

Significant Events/decisions	Stakeholders Affected	Considerations
Extension of shareholder loans (November 2022)	Employees Shareholders Minority shareholders	○ The independent directors consulted and sought advice from the Company's lawyers to ensure that the terms of extension complied with the Whitewash process in 2018 and sought advice from our NOMAD as to whether it was fair and reasonable in so far as independent shareholders are concerned.
Board interaction with businesses	Shareholders Employees	○ The Board meetings are held once a month and the MD of the Cake Decoration Division presents the business and discusses both strategic and operational matters. This has strengthened the communication between the Board and the business unit and the quality and timeliness of decision making.
Investor relations	Shareholders Minority shareholders	○ Increased interaction with our shareholders with direct access to the Board; the Executive Chair makes himself available to minority shareholders and has maintained an ongoing dialogue with the principal minority shareholders. ○ The quality, frequency and relevance of investor communications is improving.
Reform programme	Employees Lenders Shareholders Customers Communities	○ Project Penny was launched in September 2022 to reform and re-engineer business processes and reset pricing at sustainable and commercially viable levels. ○ Full project structures and disciplines were set-up to plan, execute and monitor 17 separate but inter-dependent work packages changing commercial, manufacturing, logistics and other business processes and price resets across all sales segments. ○ Regular reports were presented to the Board which championed the radical reforms.
Board Changes	Minority shareholders Employees Shareholders	○ In September 2022, the Chair moved from being a part-time to full-time executive to accelerate the rate of progress in rebuilding shareholder value via Project Penny reforms. ○ Andy Richardson joined the Board in January 2023 to support and help guide the radical reforms being undertaken. ○ The non-shareholder directors meet independently of the loan note holders to discuss any issues that would give rise to conflict. The non-independent directors are not party to these meetings or minutes thereof.
Management Changes	Customers Employees	○ Various management changes have been made during Project Penny and since year-end, saving costs and streamlining and improving active decision-making throughout the Group. ○ These changes have included senior management changes to upskill and drive more focus, particularly in relation to manufacturing planning, change management and sales.
Environmental and sustainability	Customers Employees	○ Working with supply chain partners to have more recyclable packaging. ○ Continue working with suppliers to source and use ethical products, such as palm oil. The palm oil used by the business is sustainable palm oil.

Report of the Directors (continued)

Statement of Directors' responsibilities

The statutory Directors are responsible for preparing the Strategic Report, the Report of the Directors, other information included in the Annual Report and the financial statements, in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the statutory Directors have elected to prepare the financial statements in accordance with international accounting standards and applicable law.

Under company law, the statutory Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and accounting estimates that are reasonable and prudent.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

They are further responsible for ensuring that the Strategic Report, the Report of the Directors, and other information included in the Annual Report and Financial Statements are prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the Real Good Food plc website is the responsibility of the Directors; the work carried out by the auditor does not involve the consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

Board Meetings

There has been a substantial increase in the number of Board meetings in the year, the main reason for the increase In the meetings were driven by cash constraints within the year.

	Eligible to attend	Meetings attended
Mike Holt	29	29
Maribeth Keeling (to 30 September 2022)	6	6
Jacques d'Unienville	29	28
Judith MacKenzie	29	29
Anthony Ridgwell (to 23 August 2022)	5	5
Gail Lumsden (to 31 December 2022)	26	26
Andy Richardson (from 1 January 2023)	3	3

The above table sets out the number of Directors' meetings held during the year and the eligibility and attendance by members of the Board.

Going concern

The financial statements are prepared on a going concern basis, which the Directors believe to be appropriate for the reasons set out below.

As described in the Business Review, the current economic environment remains difficult, and losses have led to cash constraints which is impacting current trading. The Directors have prepared financial forecasts for the Group, comprising income statements, balance sheets and cash flows through to March 2025. In assessing the appropriateness of the Group's accounts being prepared on a going concern basis, the Directors have considered short-term constraints, and how to manage through these, and factors likely to affect its planned future performance.

As noted in the Strategic Report and Business Review, the radical reform of the business has been successful, and the Group expects to be EBITDA positive at similar volume levels to last year. Volumes are expected to be better in FY24, albeit the Group is currently unable to fulfil sales orders in full due to shortages of key ingredients and services because of cash constraints. The Group is slowly working through this and is looking to sell some assets to help boost cash resources. Critical to success is the ability to pass through ongoing cost increases to customers. Price increases have already been agreed with a number of UK Retailers, most international customers and several wholesale and B2B customers with more expected in the next couple of months. The forecasts anticipate cash balances of circa £2 million by 31 December 2024, £3.5 million by 31 December 2025 with average cash balances of about £1 million. Based on current projections, the lowest point next year will be in September 2024, but a collaboration is being sought with the Group's largest customer to more evenly phase deliveries during calendar year 2024, which will alleviate this dip.

In recent months, several key management roles have been refreshed and these are already making a very positive contribution to performance, upskilling, and organisational culture.

The cash flow forecasts reflect the extension of £2.3 million of the £2.5 million loan facility with Hilco Private Capital to 18 November 2024 and continuation of the £6.6 million facility with Leumi ABL

Principal continuing activities

The principal activities of the Group are the sourcing, manufacture, and distribution of food to the retail, manufacturing, wholesale, and export sectors.

Business review and future developments

On 6 April 2023, the Group secured a £550,000 short-term loan from Downing LLP and Omnicane Investors Ltd, two of its principal shareholders and loan note holders. An interest rate of 12% annualised is payable on repayment together with a redemption premium. If the loan is repaid before 6 October 2024 a 100% redemption premium is payable or if the repayment is after 5 October 2024 the redemption premium is 200%.

In July 2023, John Tague was appointed as MD of JF Renshaw and Rainbow Dust Colours replacing Steve Moon. John has significant expertise and a track record of managing successful business transformations.

A 12-month extension has been agreed with Hilco Private Capital to roll-over £2.3 million of the £2.5 million facility dated 18 November 2022.

Non-current assets

Details of changes in non-current assets are given in notes 16 - 20 to the financial statements.

Directors

Details of the Directors are given on page 10.

Substantial interests

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

31 March 2023	% Holding in ordinary share capital
NB Ingredients Limited	22.3%
Omnicane International Investors Limited	20.8%
Downing LLP	7.9%
Mr J & Mrs S O'Driscoll	5.9%

Directors' indemnities

The Company has paid £95.0k (2022: £95.0k) in respect of Directors' and Officers' Indemnity Insurance.

Financial instruments

The Group's financial instruments comprised bank term loans and a revolving credit facility, loan notes from the major shareholders, cash and liquid resources and various items arising directly from its operations, such as trade receivables and trade payables. The main purpose of these financial instruments is to finance the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Group also has some currency exposure to its commodity purchases which is offset in part by foreign currency sales.

The Board reviews and agrees policies, which have remained substantially unchanged for the period under review, for managing these risks. Full details of the Group's financial assets and liabilities are set out in note 26 to the financial statements.

Liquidity risk

Short term flexibility is available through existing bank facilities.

Employee involvement

The Group aims to improve the performance of the organisation through the development of its employees. Their involvement is encouraged by a variety of means including team working, team briefings, consultative committees and working parties.

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

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

Employee engagement

The employees are integral to achieving the business objectives of the Group. The Group is committed to creating an environment where all individuals feel respected and supported. RGF plc ensure that employees are kept informed of performance and strategy through regular updates from the management teams in the businesses. The majority of the Board meetings in FY23 have been virtual meetings, however the meetings have continued in the same format with the MD and senior managers attending and the messages from the Board taken back to the businesses. Within the individual businesses, there are team briefings for all staff with updates on the business and how it is performing. The employees have the opportunity to raise questions, that are fed back to the Management and responded to. This allows the views of employees to be taken into account in making decisions which are likely to affect their interests.

Equal opportunities

The Group continues to embrace and champion the principles of equality of opportunity and diversity in all aspects of employment. During the year, our employment policies and procedures have been reviewed to ensure best practice continues to be adopted, and we continue to apply those principles to enable a workplace which is free from discrimination and where development opportunities are open to all. The Group also encourages an active approach to those who require additional support to achieve their potential.

Our Gender Pay Gap analysis for April 22 reported that the mean pay for females was just over 5% higher than that of our male colleagues. The Group continues through our Leadership Framework to creating the opportunities for developing greater diversity throughout our management structures in the future.

Stakeholder engagement

The Group strives to maintain a regular dialogue with stakeholders including shareholders to enable any interested party to make informed decisions about the Group and its performance. The Board believes that greater transparency in its dealings offers a level of comfort to stakeholders and an understanding that their views will be heard and considered appropriately.

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

External Auditors

Kreston Reeves LLP were appointed as the statutory auditors during the year and have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Report of the Directors (continued)

Streamlined Energy and Carbon Reporting

SECR (Streamlined Energy and Carbon Reporting) was introduced by the government on 1 April 2019. The table below shows the information for RGF plc from the 1 April 2022 to 31 March 2023.

The Group collated the data using the billing data.

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

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

The assumptions made are:

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

Information	31 March 2023	31 March 2022
Energy consumption used to calculate emissions: kWh	Gas – 5,482,881.26 kWh LPG – n/a Petrol Company cars – 12,314 kWh Diesel Company cars – 9,821 kWh Electricity – 3,979,292.02 kWh Petrol private cars – n/a Diesel private cars – n/a Total – 9,484,308 kWh	Gas – 6,077,919 kWh LPG – 0.54 kWh Petrol Company cars – 17,104 kWh Diesel Company cars – 15,931 kWh Electricity – 3,034,137 kWh Petrol private cars – n/a Diesel private cars – n/a Total – 9,145,093 kWh
Emissions from combustion of gas tCO_2e (Scope 1)	1,111,2 tCO_2e	1,113.2 tCO_2e
Emissions from LPG (Scope 1)	n/a	1.6 tCO_2e
Emissions from business travel in company owned vehicles (Scope 1)	6.2 tCO_2e	8.1 tCO_2e
Emissions from purchased electricity (Scope 2, location-based)	824.0 tCO_2e	644.2 tCO_2e
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	N/A	N/A
Total gross CO_2e based on above	824.0 tCO_2e	644.2 tCO_2e
Intensity ratio: tCO_2e gross figure based on mandatory fields above/e.g. £100,000 revenue (taken from 5 Results)	Tonnes of output produced 0.17 tCO_2e per Tonne of output produced	Tonnes of output produced 0.17 tCO_2e per Tonne of output produced
Methodology	Monthly energy usage consumption data based on utility invoices and vehicle mileage claims converted to carbon emissions using DEFRA conversion factors for company 2021	Monthly energy usage consumption data based on utility invoices and vehicle mileage claims converted to carbon emissions using DEFRA conversion factors for company 2021
Energy Efficient Actions taken (taken from 5.1 Energy Efficiency Actions)	Replacement of inefficient lighting with LED equivalent.	Replacement of inefficient lighting with LED equivalent.

This report was approved by the Board on 20 September 2023 and is signed on its behalf by:

Mike Holt
Executive Chair

Audit Committee Report

The Committee is scheduled to meet formally twice a year with the auditor, in relation to the annual and interim accounts, but in addition, the Chairperson of the Committee also maintains a close dialogue with them throughout the year to ensure they remain apprised of relevant events. The Audit Committee met on four occasions during the year. Executive Directors are ordinarily present at Committee meetings by invitation only, with the CFO ordinarily attending. The Committee's primary role is to ensure the integrity of the financial reporting and audit process and the maintenance of sound internal control and risk management systems. The committee assesses whether suitable accounting policies have been adopted and whether management have made appropriate estimates and judgements. It is responsible for monitoring and reviewing:

- the integrity of the Group's financial statements and any formal announcements relating to its financial performance.
- the Group's internal financial controls and internal control and risk management systems.
- the effectiveness of the external audit process and making recommendations to the Board on the appointment, reappointment, and removal of the external auditor.
- the policy on the engagement of the external auditor to supply non-audit services; and
- taking specific responsibility for certain key areas of risk management to support the Board's role in overseeing an enterprise-wide approach to risk identification, management, and mitigation.

The Committee seeks to ensure continual improvements in the Group's governance in order to be and remain compliant with the QCA's Code of Best Practice for small to medium sized companies.

The Audit Committee reviewed a wide range of financial reporting and related matters in respect of the Company's Annual Report prior to their consideration by the Board. Reports highlighting key accounting matters and significant judgements were also received from Kreston Reeves in respect of the year-end financial statements and discussed by the Committee. In particular, these included the significant judgement areas of the impairment of goodwill and the going concern basis of accounting.

The Audit Committee held 2 meetings in the year, the following table sets out attendance during the year.

Director	Meetings attended
Members	
Judith MacKenzie	2
Andy Richardson	2
By Invitation	
Mike Holt	2

Audit Committee Report (continued)

Table showing key risks in the business

Description of Risk	Overview of Risk	Company response
Asset Impairment	The Group has £16.6 million of goodwill, relating to excess of consideration paid to the fair value of acquisitions, and £6.4 million of property, plant and equipment, and intangible assets. The carrying value of goodwill is reviewed at least annually to check that it is not in excess of its recoverable amount. The value of property, plant and equipment and intangible assets are stated at cost less accumulated depreciation or amortisation and impairment losses.	Cash flow projections have been prepared and reviewed, which take into account current market conditions and the long-term growth expectations for the key markets served by the Cake Decoration division. A sensitivity analysis was also applied to stress test the assumptions and future economic value of assets. These resulted in an no impairment in the year. he Audit Committee discussed the underlying assumptions, and discount rates used, with both management and Kreston Reeves LLP. Following discussion of headroom and sensitivity, the Committee was satisfied that the carrying values are appropriate.
Going Concern	Given the losses incurred by the Group, and its level of indebtedness, the assumption of going concern has been subject to challenge.	The Board launched a programme of radical reform in September 2022 and the programme has robustly project managed with significant success. The change programme has reset pricing, reduced costs and driven manufacturing efficiencies and transformed the Group to being able to sustainably deliver £3 million to £4 million in EBITDA beyond FY24 at FY23 volume levels. The Board has met regularly throughout the year, reviewing sales and operational performance, the improvement plan, cash projections, and borrowing headroom. The Committee, and the Board as a whole, is satisfied that a going concern approach is fully justified.
Risk Register	The Group is encouraged to identify business risks. The CFO presents the Risk Register to the Board on a quarterly basis.	Significant business risks are identified and recorded on the Risk Register that is presented to the Group Board quarterly, or sooner if appropriate. The Board meets outside of the planned monthly Board meetings as required.
Senior Managers	The MD is invited to each Board meeting to present on their division.	The Board has the opportunity to talk directly with the MD and key managers within the Group. Since the last report, the Board has recruited a new MD, new Head of Engineering and appointed a new Head of Manufacturing. A number of changes have also been made within the sales team. The Board is satisfied that all the changes which have been made have improved decision-making and capability of the senior management team.
Auditors	Audit Rotation.	The Committee is responsible for recommending to the Board the appointment, reappointment, and removal of external auditors. During the year, the Committee provided oversight to a competitive tender process which led to the appointment of Kreston Reeves as external auditors. The Committee discussed audit planning, plans, fees and audit findings and controls with Kreston Reeves and assessed the effectiveness of the external audit through the review of audit plans, reports, and conclusions. The Committee also had discussions with management (with and without the auditor present) and with the auditors (with and without management present) to satisfy itself on the quality of audit and financial controls. The Commitment and Authorities schedule within the business is reviewed annually by the Group Board.

Remuneration Committee Report

The Remuneration Committee comprises Judith MacKenzie, as Chair, Andy Richardson and Jacques d'Unienville.

The Committee believes that its primary role is to:

- determine and agree with the Board the framework of remuneration for the group of Executives within its remit.
- ensure effective performance management systems are in place to assess the performance of the Executives and the Company.
- set the remuneration for the plc Directors, selected senior management and the Company Executive Chair.
- oversee the implementation and operation of short and long-term incentive arrangements for senior management, and
- agree the policy for authorising claims for expenses from the Executive Chair and plc Directors.

The Directors' remuneration policy aims to align the interests of management with all shareholders and recognises the need to recruit, retain and appropriately incentivise high-calibre individuals to deliver the strategy set by the Board.

This report outlines the base salary, pension, benefits, and long-term incentive plans, where appropriate, of all Board Executives.

Directors' remuneration

The salaries of the Executive Chair and other senior managers are benchmarked against other AIM-listed businesses of a similar size and complexity.

Non-Executive Director remuneration

Subject to annual re-election by shareholders, Non-Executive Directors are appointed for an initial term of three years. Subsequent terms of three years may be granted. The appointment and the remuneration of the Non-Executive Directors are matters reserved for the full Board. The appointments are generally terminable by either party with three months' written notice.

The Non-Executive Directors are not eligible to participate in the Company's performance related bonus plan, long term incentive plans or pension arrangements. Full terms and conditions for each of the Non-Executive Directors are available at the Company's registered office during normal business hours.

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

The table below shows the FY23 attendance:

Director	Meetings attended
Members	
Andy Richardson	2
Jacques d'Unienville	2
Judith MacKenzie	2

Independent Auditor's Report

to the members of Real Good Food plc

Opinion

We have audited the financial statements of Real Good Food PLC (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 March 2023 which comprise the consolidated statement of comprehensive income, consolidated and company statements of changes in equity, consolidated and company statements of financial position, consolidated cash flow statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation of the group financial statements is applicable law and UK adopted international accounting standards.

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 March 2023 and of the Group's loss for the year then ended; and
- have been properly prepared in accordance with UK adopted international accounting standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern

We draw attention to note 2a in the financial statements, which indicates that there is a risk to the going concern of the business given the current economic environment and cash constraints in place.

We concur and consider there to be a material risk to the group's ability to continue as a going concern. This concern is based on recent trading performance in the year ended 31 March 2023 where the group's recorded a loss after tax of £9m and the statement of financial position as at 31 March 2023, which recorded net liabilities of £7.2m. We performed the following procedures with respect to this significant risk area:

- We confirmed that short-term working capital facilities were in place to ensure that the business can settle immediate liabilities as they fall due. We obtained direct confirmation over the renewal of the Hilco loan facility up to 18 November 2024.
- We obtained detailed forecasting for the 2023/24 & 2024/25 periods and gained a thorough understanding of the preparation and review process for this model to gain assurance that it has been prepared on a considered basis.

We further considered each key assumption in the model including:

- Expected sales and gross margin assumptions – we performed historic gross margin analysis to ensure that projections were in line with general performance trends in the 2019-2022 period, before the current year slump. We further confirmed that the businesses' key customers have largely agreed to a revised pricing structure in order for the business to move back towards a viable operating model where rising input costs (particularly sugar) are being passed along in an effective and timely manner.
- Overheads and debt costs assumptions – we considered projected overheads for the 2023/24 & 2024/25 period to ensure that these were reasonable in light of current and expected headcount as well as the general expected profile of the business moving forward. For debt costs we performed trend analysis to consider implied interest rates on projected loans and borrowings over the coming periods to ensure that these are reasonable in light of the current economic climate.
- Credit/cash control management assumptions – we identified within the forecasting the most significant monthly cash inflows and corroborated the source of inflows to ensure these were credible and consistent with our understanding of the business and with previously considered assumptions.
- We performed sensitivity analysis to assess the level of working capital headroom should key assumptions be less favourable than included in management's model.
- We considered the detail and monitoring processes in place for management's reform programme to ensure this was sufficient and corroborated management expectations with other audit evidence obtained to ensure that these are reasonable and consistent with our understanding of the business.
- We considered post year end performance data available, including the group's purchase order book for the coming months, to gain additional assurance over the effectiveness of management's reform programme.

Based on the work we have performed we have gained sufficient assurance in order to rely on management's forecasting in forming our assessment. We have also gained assurance over the credibility of management's reform programme, which drives the performance improvement included in the forecast. We have further confirmed the adequacy of working capital facilities in place to settle immediate liabilities as they fall due. However, the current financial situation of the business remains precarious and there is limited room for manoeuvre therefore we have raised this material uncertainty relating to going concern. Our audit report is not modified in respect of this matter.

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

Our application of materiality

	Group financial statements	Parent company financial statements
Materiality	£326,000	£320,000
Basis for determining materiality	~1% of revenues	~3% gross assets (capped below group materiality)
Rationale for benchmark applied	The group's principal activity is the production and sale of edible decorating products. Therefore, a benchmark for materiality of revenue of the group is considered to be appropriate given this is a key performance indicator users of the financial statements will consider. It is also less subject to the volatility of other key performance indicators such as profit-before-tax.	The company operates as a holding company for the group and has no external income. To this end a benchmark based on the gross assets of the company is considered to be appropriate. For the period under review this materiality was capped below group materiality to address aggregation risk.
Performance materiality	£244,500	£240,000
Basis for determining performance materiality	75% of materiality	75% of materiality (capped below group materiality)
Rationale for benchmark applied	Given the size of the group and the listed nature of the parent company, as well as a number of significant accounting estimates, a performance materiality has been applied reflecting the level of audit risk involved.	Given the listed nature of the parent company, as well as a number of significant accounting estimates, a performance materiality has been applied reflecting the level of audit risk involved. For the period under review this performance materiality was capped below group materiality to address aggregation risk.

We reported all audit differences found in excess of our triviality threshold of £16,300 to the directors, management board and audit committee.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

An overview of the scope of our audit

We tailored the scope of our audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

Our scoping considerations for the Group audit were based both on financial information and risk. The below table summarises for the parent company, and its subsidiaries, in terms of the level of assurance gained:

Group component	Level of assurance
Real Good Food PLC	Full statutory audit
JF Renshaw Ltd	Full statutory audit
Rainbow Dust Colours Limited	Full statutory audit
Real Good Food Ingredients Limited	Full statutory audit
N Brown Foods Ltd	Full statutory audit
Other group subsidiaries (see full disclosure of these in note 19)	Limited assurance review on transactions or balances deemed to be material to the group

Independent Auditor's Report (continued)

to the members of Real Good Food plc

Coverage overview

	Group revenue	Group loss before tax	Group net liabilities
Totals at 31 March 2023:	£32.441m	(£9.186m)	(£7.229m)
Full statutory audit	£30.432m	(£9.554m)	(£5,409m)
Limited procedures	£2.174m	£0.368m	(£1.820m)

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Revenue recognition: £32.441m (2022: £40.431m)

Significance and nature of key risk

The Group's revenue is attributable from the production and sale of edible decorating products.

We have focused on these revenue streams due to the potential for material misstatement of revenue, whether caused by fraud or error, which would fundamentally change the outlook of the financial statements to stakeholder and other users.

The group's revenue accounting policy is outlined in note 2 of these financial statements.

How our audit addressed the key risk

The revenue recognition policies for each revenue stream were reviewed to ensure these are in line with the full requirements of IFRS 15.

A sample from each revenue stream was substantively verified by: Agreeing to underlying sales order as per the transaction listing, agreeing this to the sales invoice generated and into the sales ledger. Sales were then vouched to the dispatch notes to ensure date of recognition was correct. A detailed cut-off substantive test was also performed, focused on sales recognised around the year end date, to ensure dispatch notes were dated within the period of revenue recognition.

Revenue was further analytically reviewed by reference to our own expectations based on previous years, budgets and other information.

Walkthrough testing was undertaken to ensure that the design and implementation of systems and controls in place in respect of the revenue cycle were appropriate and that there were being correctly applied in the business.

Key observations communicated to the Risk and Audit Committee

We have no concerns over the material accuracy of revenue recognised in the financial statements.

Valuation and impairment of goodwill: £16.619m (2022: £16.619m)

Significance and nature of key risk

Goodwill represents the excess of the cost of a business combination over the interest in the fair value of cash generating units previously acquired.

We have focused on these balances due to the inherent management judgement involved. These acquisitions continue to represent bespoke revenue generating assets where there may be material uncertainty over the value of future revenues predicted in making impairment assessments over the goodwill balance.

The group's revenue accounting policies relating to goodwill is outlined in note 2 of these financial statements.

How our audit addressed the key risk

Goodwill - We reviewed goodwill calculations to ensure that these have been correctly calculated in line with the requirements of IFRS 3. The historic inputs into these calculations were vouched to appropriate audit evidence.

Ownership documentation was also obtained to ensure current ownership of the cash generating units with goodwill recorded.

Recent trading results as well as discount cashflows for each cash generating unit were reviewed for indicators of impairment. The discount cashflow reviews included the assessment of the reasonableness of key assumptions to ensure these can be relied upon as audit evidence.

Key observations communicated to the Risk and Audit Committee

We have no concerns over the material accuracy of goodwill values recognised in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' report.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of directors

As explained more fully in the directors' responsibilities statement (set out on page 14), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Capability of the audit in detecting irregularities, including fraud

Based on our understanding of the group and industry, and through discussion with the directors and other management (as required by auditing standards), we identified that the principal risks of non-compliance with laws and regulations related to health and safety, anti-bribery and employment law. We considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, the under-reporting of loans and borrowings as well as management bias in accounting estimates and judgemental areas of the financial statements such as the valuation of goodwill. Audit procedures performed by the group engagement team and component auditors included:

- Discussions with management and assessment of known or suspected instances of non-compliance with laws and regulations (including health and safety) and fraud, and review of the reports made by management; and
- Assessment of identified fraud risk factors; and
- Identifying and assessing the design effectiveness of controls that management has in place to prevent and detect fraud; and
- Conducting interviews with appropriate personnel to gain further insight into the control systems implemented, and the risk of irregularity; and

Independent Auditor's Report (continued)

to the members of Real Good Food plc

- Challenging assumptions and judgements made by management in its significant accounting estimates; and
- Substantiating of revenue and expenditure entries into the ledger to appropriate audit evidence to ensure these are legitimate; and
- Substantiating the value of loans and borrowings via direct confirmation with banks and/or the lenders; and
- Interrogating impairment assessments relating to the valuation of goodwill, including substantiating assumptions included in discount cashflow models to audit evidence where possible; and
- Reading minutes of meetings of those charged with governance and reviewing correspondence with relevant tax and regulatory authorities; and
- Review of significant and unusual transactions and evaluation of the underlying financial rationale supporting the transactions; and
- Identifying, through the use of data analytics, and testing journal entries, in particular any manual entries made at the year end for financial statement preparation.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our Report

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

Anne Dwyer BSc(Hons) FCA (Senior Statutory Auditor)
For and on behalf of
Kreston Reeves LLP
Chartered Accountants
Statutory Auditor
London

Date: 20/09/2023

Kreston Reeves LLP is a limited liability partnership registered in England and Wales (with registered number OC328775).

Consolidated Statement of Comprehensive Income

Year ended 31 March 2023

	Notes	12 months ended 31 March 2023 £'000s	12 months ended 31 March 2022 £'000s
Revenue	4, 5	**32,441**	40,431
Cost of sales	5	**(21,631)**	(24,301)
Gross profit	5	**10,810**	16,130
Other operating income		**7**	56
Distribution expenses	5	**(3,458)**	(3,960)
Administrative expenses	5	**(13,173)**	(12,902)
Operating loss before impairment and significant items	5	**(5,814)**	(676)
Impairment charge on goodwill	16	**–**	(16,103)
Significant items	6	**(1,286)**	(310)
Operating loss after impairment and significant costs	8	**(7,100)**	(17,089)
Finance costs	9	**(1,945)**	(1,891)
Net Finance Income	10	**42**	2
Loss before tax		**(9,003)**	(18,978)
Income tax credit	14	**-**	(2,384)
Loss from continuing operations		**(9,003)**	(21,362)
Profit from discontinued operations (assets held for sale)	5	**-**	19,986
Net loss		**(9,003)**	(1,376)
Attributable to:			
Owners of the parent		**(9,003)**	(1,376)
Net loss		**(9,003)**	(1,376)
Items that will or may be reclassified to profit or loss			
Foreign exchange differences on translation of subsidiaries		**80**	(25)
Items that will not be reclassified to profit or loss			
Actuarial losses on defined benefit plan	32	**(2,222)**	501
Deferred tax relating to other comprehensive losses	20	**477**	527
Other comprehensive loss		**(1,665)**	1,003
Total comprehensive loss for the year		**(10,668)**	(373)
Attributable to:			
Owners of the parent		**(10,668)**	(373)
Non-controlling interests		**–**	–
Total comprehensive loss for the year		**(10,668)**	(373)

	Notes	12 months ended 31 March 2023 £'000s	12 months ended 31 March 2022 £'000s
Basic and diluted loss per share – continuing operations	15	**(9.92)p**	(21.46)p
Basic earnings per share – discontinued operations	15	**–**	20.07p
Diluted earnings per share – discontinued operations	15	**–**	6.23p

The notes on pages 31 to 61 form part of these financial statements.

Consolidated Statement of Changes in Equity

Year ended 31 March 2023

	Issued Share Capital £'000s	Share Premium Account £'000s	Other Reserves £'000s	Share Option Reserve £'000s	Foreign Exchange Translation Reserve £'000s	Restated Retained Earnings £'000s	Restated Total £'000s	Non–Controlling Interest £'000s	Restated Total Equity £'000s
Balance as at 31 March 2021	1,991	3,294	(4,796)	3	(60)	(282)	150	3,198	3,348
Prior period adjustment (note 33)						(1,672)	(1,672)		(1,672)
Restated balance as at 31 March 2021	1,991	3,294	(4,796)	3	(60)	(1,954)	(1,522)	3,198	1,676
Loss for the year	–	–	–	–	–	(1,376)	(1,376)		(1,376)
Other comprehensive (loss)/gain for the year	–	–	–	–	(25)	1,028	1,003	–	1,003
Total comprehensive (loss)/gain for the year	**–**	**–**	**–**	**–**	**(25)**	**(348)**	**(373)**	**—**	**(373)**
Transactions with owners of the Group, recognised directly in equity									
Release 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
Changes in non controlling interest as a result of business combinations	–	–	–	–	–	–	–	(3,198)	(3,198)
Total contributions by and distributions to owners of the Group	–	–	5,336	(3)	–		5,333	(3,198)	2,135
Restated balance as at 31 March 2022	1,991	3,294	540	–	(85)	(2,302)	3,438	–	3,438
Total comprehensive (loss)/gain for the year									
Loss for the year	**–**	**–**	**–**	**–**	**–**	**(9,003)**	**(9,003)**	**-**	**(9,003)**
Other comprehensive (loss)/gain for the year	**–**	**–**	**–**	**–**	**80**	**(1,745)**	**(1,665)**	**-**	**(1,665)**
Total comprehensive (loss)/gain for the year	**–**	**–**	**–**	**–**	**80**	**(10,748)**	**(10,668)**	**-**	**(10,668)**
Transactions with owners of the Group, recognised directly in equity									
Balance as at 31 March 2023	**1,991**	**3,294**	**540**	**–**	**(5)**	**(13,049)**	**(7,229)**	**–**	**(7,229)**

The notes on pages 31 to 61 form part of these financial statements.

Company Statement of Changes in Equity

Year ended 31 March 2023

	Issued Share Capital £'000s	Share Premium Account £'000s	Share Option Reserve £'000s	Restated Retained Earnings £'000s	Restated Total Equity £'000s
Balance as at 31 March 2021	1,991	3,294	3	(13,793)	(8,505)
Prior period adjustment (note 33)				(285)	(285)
Restated Balance as at 31 March 2021	1,991	3,294	3	(14,078)	(8,790)
Loss for the year	–	–	–	(44,884)	(44,884)
Other comprehensive loss for the year	–	–	–	(634)	(634)
Total comprehensive loss for the year	–	–	–	(45,518)	(45,518)
Transactions with owners of the Group, recognised directly in equity					
Share options lapsed in year	–	–	(3)	–	(3)
Total contributions by and distributions to owners of the Group	–	–	–	–	–
Restated balance as at 31 March 2022	1,991	3,294	–	(59,596)	(54,311)
Total comprehensive Loss for the year					
Loss for the year	**–**	**–**	**–**	**(4,058)**	**(4,058)**
Other comprehensive loss for the year	**–**	**–**	**–**	**–**	**–**
Total comprehensive Loss for the year	**–**	**–**	**–**	**(4,058)**	**(4,058)**
Transactions with owners of the Group, recognised directly in equity					
Total contributions by and distributions to owners of the Group					
Balance as at 31 March 2023	**1,991**	**3,294**	**–**	**(63,654)**	**(58,369)**

The notes on pages 31 to 61 form part of these financial statements.

Consolidated Statement of Financial Position

Year ended 31 March 2023

Registered Company Number: 04666282

	Notes	31 March 2023 £'000s	Restated 31 March 2022 £'000s
NON-CURRENT ASSETS			
Goodwill	**16**	**16,619**	16,619
Other intangible assets	**17**	**–**	–
Tangible fixed assets	**18**	**6,256**	6,970
		22,875	23,589
CURRENT ASSETS			
Inventories	**21**	**3,695**	4,024
Trade and other receivables	**22**	**4,711**	6,572
Retirement benefit asset		**–**	1,497
Cash collateral	**13**	**50**	50
Cash and cash equivalents	**13**	**93**	2,734
		8,549	14,877
Assets classed as held for sale	**18**	**148**	1,078
TOTAL ASSETS		**31,797**	39,544
CURRENT LIABILITIES			
Trade and other payables	**25**	**6,609**	6,950
Borrowings	**23**	**5,310**	4,009
Lease liabilities	**24**	**46**	48
Current tax liability		**4**	4
		11,969	11,011
Liabilities classed as held for sale	**33**	**–**	–
NON-CURRENT LIABILITIES			
Borrowings	**23**	**25,869**	24,293
Lease liabilities	**24**	**110**	155
Deferred tax liabilities	**20**	**170**	647
Retirement benefit obligation	**32**	**683**	–
		26,832	25,095
TOTAL LIABILITIES		**38,801**	36,106
NET ASSETS		**(7,229)**	3,438
EQUITY			
Share capital	**27**	**1,991**	1,991
Share premium account	**28**	**3,294**	3,294
Other reserves	**28**	**540**	540
Share option reserve		**-**	-
Foreign exchange translation reserve	**28**	**(5)**	(85)
Retained earnings	**28**	**(13,049)**	(2,302)
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**(7,229)**	3,438
TOTAL EQUITY		**(7,229)**	3,438

These financial statements were approved by the Board of Directors and authorised for issue on 20 September 2023.

They were signed on its behalf by:

Mike Holt
Executive Chair

The notes on pages 31 to 61 form part of these financial statements.

Company Statement of Financial Position

Year ended 31 March 2023

Registered Company Number: 04666282

	Notes	31 March 2023 £'000s	Restated 31 March 2022 £'000s
NON-CURRENT ASSETS			
Investments	**19**	**8,980**	8,980
Other intangible assets	**17**	**–**	–
Property, plant, and equipment	**18**	**–**	94
Deferred tax asset	**20**	**103**	–
		9,083	9,074
CURRENT ASSETS			
Trade and other receivables	**22**	**9,400**	8,668
Retirement benefit asset		**–**	1,497
Cash collateral	**13**	**50**	50
Cash and cash equivalents		**4**	1,636
		9,454	11,851
Assets classed as held for sale	**18**	**–**	930
TOTAL ASSETS		**18,537**	21,855
CURRENT LIABILITIES			
Trade and other payables	**25**	**51,073**	52,233
		51,073	52,233
NON-CURRENT LIABILITIES			
Borrowings	**23**	**25,151**	23,559
Retirement benefit obligation		**683**	–
Deferred tax liability	**20**	**–**	374
		25,834	23,933
TOTAL LIABILITIES		**76,907**	76,166
NET LIABILITIES		**(58,369)**	(54,311)
EQUITY			
Share capital	**27**	**1,991**	1,991
Share premium account		**3,294**	3,294
Retained earnings		**(63,654)**	(59,596)
TOTAL EQUITY		**(58,369)**	(54,311)

Real Good Food plc (the Company) reported a total comprehensive loss for the year ended 31 March 2023 of £4,058k (2022: loss of £45,518k). The Directors have taken advantage of the exemption available under Section 408 of the Companies Act and have not presented a statement of comprehensive income for the Company.

These financial statements were approved by the Board of Directors and authorised for issue on 20 September 2023.

They were signed on its behalf by:

Mike Holt
Executive Chair

The notes on pages 31 to 61 form part of these financial statements.

Consolidated Cash Flow Statement

Year ended 31 March 2023

	Notes	31 March 2023 £'000s	31 March 2022 £'000s
CASH FLOW FROM OPERATING ACTIVITIES			
Adjusted for:			
(Loss) before taxation		**(9,003)**	1,008
Finance and other finance costs	**9, 10**	**1,903**	1,889
Share options reserve credit		**–**	(3)
Foreign Exchange movement		**2**	(3)
Goodwill impairment charge	**16**	**–**	16,103
Impairment charge on fixed assets		**–**	70
Share based payment expense		**–**	(19,986)
Loss on disposal of property, plant and equipment		**159**	–
Depreciation of property, plant, and equipment	**18**	**1,057**	1,326
Amortisation of intangibles	**17**	**–**	9
Operating Cash Flow		**(5,881)**	413
Decrease in inventories		**328**	(915)
Decrease/(increase) in receivables		**1,862**	2,606
Pension contributions	**32**	**–**	(8,500)
Decrease in cash collateral		**–**	165
Increase/(Decrease) in payables		**(685)**	(2,518)
Cash from operations		**(4,731)**	(8,749)
Interest paid		**(345)**	(139)
Interest on leases		**(10)**	–
Net cash inflow from operating activities		**(4,731)**	(8,888)
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of property, plant, and equipment		**(397)**	(844)
Proceeds from sale of investment		**931**	33,153
Disposal of discontinued business, net of cash disposed of		**–**	(1,138)
Net cash outflow from investing activities		**534**	31,171
CASH FLOW USED IN FINANCING ACTIVITIES			
Repayment of lease liabilities		**(102)**	(113)
Repayment/(Inflow) of term loans		**(466)**	(865)
Interest paid on investor loans		**–**	(5,310)
Repayment of investor loans		**–**	(17,790)
Drawdown on new credit facility		**2,582**	–
Drawdowns on revolving credit facilities		**14,203**	36,045
Repayments on revolving credit facilities		**(15,034)**	(34,571)
Net cash outflow from financing activities		**1,475**	(22,604)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(2,721)**	(321)
CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of period		**2,734**	3,080
Effects of currency translations on cash and cash equivalents		**80**	(25)
Net movement in cash and cash equivalents		**(2,721)**	(321)
Cash and cash equivalents at end of period		**93**	2,734

Notes to the Financial Statements

Year ended 31 March 2023

1. Presentation of financial statements

General information

Real Good Food plc is a public limited company incorporated in England and Wales under the Companies Act (registered number 04666282). The Company is domiciled in England and Wales and its registered address is 229 Crown Street, Liverpool L8 7RF. The Company's shares are traded on the Alternative Investment Market (AIM). The principal activity of the company is the manufacture of icings, frostings, marzipan and caramels serving the global cake decoration market.

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the company is not presented as part of these financial statements. The Company's total comprehensive loss for the financial year was £4.1m (2022 £45.5m).

Basis of preparation

These consolidated financial statements are presented on the basis of international accounting standards and have been prepared in accordance with AIM rules and the Companies Act 2006, as applicable to companies reporting under IFRS.

These consolidated financial statements have been prepared in accordance with the accounting policies set out in note 2 and under the historical cost convention, except where modified by the revaluation of certain financial instruments and commodities. The accounts are prepared on a going concern basis, as disclosed in notes 2 and 3.

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

IFRS standards and interpretations adopted

New standards and amendments which are effective from 1 January 2022, and have been adopted within the Group's accounting policies are:

- Amendments to IFRS 3 Business combinations – the Conceptual Framework;
- Amendments to IAS Amendments to IAS 16 – Property, Plant and Equipment, The amendments prohibit deducting the amounts received from selling items produced from the cost of PPE while the asset is being prepared for its intended use;
- Amendment to IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, The amendments specify that the costs of fulfilment are those that relate directly to the contract, consisting of both: the incremental costs of fulfilling that contract – for example, direct labour and materials; and an allocation of other costs that relate directly to fulfilling contracts – for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others.

The adoption of the amendments to IFRS 3, IAS 1, IAS16 and IAS37 have not had an impact on the financial statements of the Group.

The Group does not expect any standards issued by the IASB, but not yet effective, to have a material impact on the Group.

2. Significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

a) Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards, on a going concern basis.

The Group's business activities, together with the factors likely to affect its future development, performance, and position, are set out in the Finance Review. The financial position of the Group, its cash flows and liquidity position and are described in the Finance Review. In addition, note 23 to the financial statements includes the Group's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposure to credit risk and liquidity risk.

b) Basis of consolidation

The consolidated financial statements include the financial statements of Real Good Food plc and entities controlled by the Company (its subsidiaries). Control is achieved where the Company is exposed to or has rights to variable returns from involvement with an investee and has the ability to affect those returns through its power over the investee.

All intra-Group transactions, balances, income, and expenses are eliminated on consolidation.

c) Revenue recognition

Revenue comprises the invoiced value for the sale of goods net of sales rebates, discounts, value added tax and other taxes directly attributable to revenue and after eliminating sales within the Group. Revenue is recognised when the outcome of a transaction can be measured reliably and when it is probable that the economic benefits associated with the transaction will flow to the Group.

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

b. Finance income/costs: Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. Other finance costs include net interest costs on the net defined benefit pension scheme liabilities.

c. Rebates and discounts: All discounts, rebates etc. are accounted for in line with contractual commitments and netted off gross sales to reflect the net income earned and any costs incurred in marketing activity are expensed within commercial overheads. In all cases, these accounts will reflect the net position after any contractual discounts and rebates along with any promotional costs. Full accruals are made for any unpaid elements.

d. Refunds: Refunds are issued to customers when product is damaged or not fit for purpose upon receipt. Refunds are recorded net of discounts, Value Added Tax (VAT) and other sales-related taxes.

Notes to the Financial Statements (continued)

Year ended 31 March 2023

2. Significant accounting policies continued

d) Income tax

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax is charged or credited to the Statement of Comprehensive Income, except where it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities on a net basis.

e) Significant items

It is the Group's policy to show separately on the face of the Statement of Comprehensive Income, items that it considers to be significant, to assist the reader's understanding of the accounts. The Group defines the term 'significant' as items that are material in respect of their size and/or nature, at a segment reporting level, for example, a major restructuring of the management of that segment. The Group believes that by identifying these items separately as significant it enhances the understanding of the true performance of the segment trading position. Summary details of significant items are shown in note 6 to these accounts.

f) Pension costs

The Group operates a defined contribution and a defined benefit pension scheme. Payments to the defined contribution scheme are charged as an expense as they fall due. For the defined benefit scheme, the cost of providing benefits is determined using the Projected Unit Credit Method, with full actuarial valuations being carried out every three years. Actuarial gains and losses are recognised in full in the period in which they occur. Further details are given in note 32 to the financial statements.

g) Property, plant and equipment

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

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

Right of use assets	Length of lease
Land and buildings	
Freehold buildings	40 to 50 years
Plant and equipment	
Plant and equipment	2 to 13 years
Motor vehicles	4 years
Fixtures and fittings	4 to 13 years
Computer equipment	4 years

Impairment reviews of property, plant and equipment are undertaken if there are indications that the carrying values may not be recoverable or that the recoverable amounts may be less than the assets' carrying value.

Assets in the course of construction relate to plant and equipment in the process of construction, which were not complete, and hence were not in use at the year end. Assets in the course of construction are not depreciated until they are completed and available for use.

h) Intangible assets

Intangible assets include computer software, development costs and business relationships. The following assets are amortised on a straight-line basis over the following periods:

Computer software	5 years
Development costs, and business relationships	3 years

The charge for the year is included in administration expenses within the Statement of Comprehensive Income.

Impairment reviews of intangible assets are undertaken if there are indications that the carrying values may not be recoverable or that the recoverable amounts may be less than the assets' carrying value.

i) Leases

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

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

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

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

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

The lease liability is remeasured if:

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

2. Significant accounting policies continued

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

j) Investments

Investments in the Company and Group accounts relate to investments in subsidiaries and associated companies which are stated at cost less provision for any impairment in value.

k) Inventories

Inventory is valued at the lower of cost and net realisable value. Where appropriate, cost includes production and other attributable overhead expenses as described in IAS 2 Inventories. Cost is calculated on a first-in, first-out basis by reference to the invoiced value of supplies and attributable costs of bringing the inventory to its present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. All inventories are reduced to net realisable value where the estimated selling price is lower than cost. A provision is made for slow moving, obsolete and defective inventory where appropriate.

l) Research and development

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

m) Cash and cash equivalents

Cash and cash equivalents on the Statement of Financial Position consist of cash in hand and at the bank. Cash and cash equivalents recognised in the Cash Flow Statement include cash in hand and at the bank, and bank overdrafts which are repayable on demand. Deposits are included within cash and cash equivalents only when they have a short maturity of three months or less at the date of acquisition.

n) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. The Group calculates impairments using an expected credit loss model, based upon the payment history of their customers, and any resultant bad debt write downs they have incurred. The occurrence of bad debt has been rare in the business.

o) Trade payables

Trade payables are recognised initially at fair value and are subsequently measured at amortised cost using the effective interest rate method.

p) Borrowings

Interest-bearing loans and overdrafts are recorded as the proceeds received net of direct issue costs and are valued at fair value net of any transaction costs directly attributable to the borrowing. Interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding. The borrowings and capital management of the Group are described in detail in note 23.

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

The Group has shareholder loans including convertible loan notes previously repayable on or before 19 May 2022 on which the repayment date has been agreed to move to 19 May 2023. They can be converted at any time into shares at the holder's option. The majority of interest on the shareholder loans is deferred. A host loan at amortised cost and an embedded derivative liability, being measured at fair value with changes in value being recorded in profit or loss, have been recognised.

q) Foreign currencies

The consolidated financial statements are presented in sterling which is the Group's functional and presentation currency.

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

All foreign exchange gains and losses arising from transactions in the year are presented in the Statement of Comprehensive Income within the administration expenses heading. Foreign currency differences on the translation of foreign subsidiaries are included in other comprehensive income and are shown as a separate reserve on the Statement of Financial Position.

r) Goodwill

Goodwill is calculated as the difference between the fair value of the consideration exchanged and the net fair value of the identifiable assets and liabilities acquired and is capitalised. Goodwill is tested for impairment annually and whenever there is an indication of impairment. Goodwill is carried at cost less accumulated impairment losses.

Gains and losses on the disposal of a business combination include the carrying amount of goodwill relating to the entity sold.

IFRS 3 "Business Combinations" requires that goodwill arising on the acquisition of subsidiaries is capitalised and included in intangible assets. IFRS 3 also requires the identification of other intangible assets at acquisition. The assumptions involved in valuing these intangible assets require the use of estimates and judgements which may differ from the actual outcome. These estimates and judgements cover future growth rates, expected inflation rates and the discount rate used.

2. Significant accounting policies continued

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- the fair value of the existing equity interest; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, are expensed as incurred. Any contingent purchase consideration payable is recognised at fair value at the acquisition date. If the contingent purchase consideration is classified as equity, it is not remeasured, and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent purchase consideration are recognised in the Consolidated Income Statement.

s) Government grants

Grants which have been received for which the grant criteria have been met are included in operating income. Grants which have been received where the grant criteria have not yet been met are included in liabilities.

The grants that had been received in respect of the Coronavirus job retention scheme in the 2022 financial year had been accounted for and presented separately on the face of the Statement of Comprehensive Income, rather than by reducing the related expense. The Group had used the Government deferred PAYE payment scheme. The costs were accounted for as incurred. All deferred PAYE has been fully repaid.

3. Critical accounting estimates and judgements

In order to prepare these consolidated financial statements in accordance with the accounting policies set out in note 2, management has used estimates and judgements to establish the amounts at which certain items are recorded. Critical accounting estimates and judgements are those that have the greatest impact on the financial statements and require the most difficult, subjective, and complex judgements about matters that are inherently uncertain. Estimates are based on factors including historical experience and expectations of future events that management believes to be reasonable. However, given the judgemental nature of such estimates, actual results could be different owing to the assumptions used. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

a) Impairment of goodwill

An impairment of goodwill has the potential to impact significantly upon the Group's Statement of Comprehensive Income for the period. In order to determine whether impairments are required, the Directors estimate the recoverable amount of the goodwill. This calculation is based on the Group's cash flow forecasts for the following financial year extrapolated over a rolling 5-year period, with a terminal value applied to the fifth year, assuming a 2% growth rate. A discount factor based upon the Group's weighted average cost of capital, which has been increased to reflect the increased risk of the Company being listed on AIM rather than the full market, is applied to obtain a current value ('value in use').

The weighted average cost of capital is impacted by estimates of interest rates, equity returns and market-related risks. The Group's weighted average cost of capital is reviewed on an annual basis.

The fair value less costs to sell of the cash generating unit is used if this results in an amount in excess of value in use.

Estimated future cash flows for impairment calculations are based on management's expectations of future volumes and margins based on plans and best estimates of the productivity of the cash generating units in their current condition. Future cash flows therefore exclude benefits from major expansion projects requiring future capital expenditure and estimate an amount for routine capital expenditure.

Further details are set out in note 16.

b) Retirement benefits

The Company sponsors the Napier Brown Foods Retirement Benefits Plan which is a funded defined benefit arrangement. The amounts recorded in the financial statements for this type of scheme are based on a number of assumptions, changes to which could have a material impact on the reported amounts.

Any net deficit or surplus arising on the defined benefit plan is shown in the Statement of Financial Position. The amount recorded is the difference between Plan assets and Plan liabilities at the Statement of Financial Position date. Plan assets are based on market value at that date. Plan liabilities are based on actuarial estimates of the present value of future pension or other benefits that will be payable to members.

The most sensitive assumptions involved in calculating the expected Plan liabilities are mortality rates and the discount rate used to calculate the present value. If the mortality rate assumption changed, a one-year increase to longevity would increase the Plan liability by 4%. An increase in the discount rate would result in a reduction of the Plan liabilities and an increase in the rate of inflation would increase the liabilities of the Plan.

The Statement of Comprehensive Income includes a regular charge to operating profit for the current and past service cost. Past service costs represent the change in the present value of the benefits obligation that arises from benefit changes that are applied retrospectively to prior year benefits that have accrued. Past service costs are charged in full in the year when the changes to benefits are made. There is also a finance charge, which represents the net of interest income from Plan assets and an interest charge on Plan liabilities. These calculations are based on the discount rate at the start of the financial year. The Statement of Comprehensive Income is most sensitive to changes in the discount rate used to calculate the interest income from Plan assets and interest charge on Plan liabilities.

Full details of these assumptions, which are based on advice from the pension fund actuaries, are set out in note 32.

c) Business claims

In common with comparable food groups, the Group is involved in disputes in the ordinary course of business which may give rise to claims. Provision representing the known cost of defending and concluding claims is made in the financial statements in accruals as part of other payables for claims where costs are likely to be incurred. The Group carries a wide range of insurance cover, and no separate disclosure is made of the detail of claims or the costs covered by insurance, as to do so could prejudice the position of the Group.

3. Critical accounting estimates and judgements
continued

d) Going concern

The financial statements are prepared on a going concern basis, a key judgement of the Directors. The Directors believe this to be appropriate for the reasons set out below.

As described in the Business Overview, the current economic environment remains difficult, and losses have led to cash constraints which is impacting current trading. The Directors have prepared financial forecasts for the Group, comprising income statements, balance sheets and cash flows through to March 2025. In assessing the appropriateness of the Group's accounts being prepared on a going concern basis, the Directors have considered short-term constraints, and how to manage through these, and factors likely to affect its planned future performance.

As noted in the Strategic Report and Business Overview, the radical reform of the business has been successful, and the Group expects to be EBITDA positive at similar volume levels to last year. Volumes are expected to be better in FY24, albeit the Group is currently unable to fulfil sales orders in full due to shortages of key ingredients and services because of cash constraints. The Group is slowly working through this and is looking to sell some assets to help boost cash resources. Critical to success is the ability to pass through ongoing cost increases to customers. Price increases have already been agreed with a number of UK Retailers, most international customers and several wholesale and B2B customers with more expected in the next couple of months. The forecasts anticipate cash balances of circa £2 million by 31 December 2024, £3.5 million by 31 December 2025 with average cash balances of about £1 million. Based on current projections, the lowest point next year will be in September 2024, but a collaboration is being sought with the Group's largest customer to more evenly phase deliveries during calendar year 2024, which will alleviate this dip.

In recent months, several key management roles have been refreshed and these are already making a very positive contribution to performance, upskilling, and organisational culture.

The cash flow forecasts reflect the extension of £2.3 million of the £2.5 million loan facility with Hilco Private Capital to 18 November 2024 and continuation of the £6.6 million facility with Leumi ABL

Long term funding

The Board has reviewed the forecasts for FY24 and FY25, and the group has agreed with the Investors to continue to roll up interest on the loans. The Board would expect to make Investor loan repayments from future operating cashflows.

Notes to the Financial Statements (continued)

Year ended 31 March 2023

4. Revenue

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

Cake Decoration	£32.4 million (2022 £40.4m)	Manufactures, sells, and supplies cake decorating products and ingredients for the baking sector.

5. Segment reporting

Business segments

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

The Group operates in one main division: Cake Decoration. The Head Office has a finance function that supports the subsidiary as required.

12 months ended 31 March 2023	Cake Decoration £'000s	Head Office and non-trading subsidiaries £'000s	Total Group £'000s
Total revenue	33,804	–	33,804
Intercompany sales	(1,363)	–	(1,363)
External revenue	32,441	–	32,441
Cost of sales	(21,631)	–	(21,631)
Gross profit	10,810	–	10,810
Other operating income	4	3	7
Distribution expenses	(3,458)	–	(3,458)
Administrative expenses	(12,523)	(650)	(13,173)
Operating (loss)/profit before impairment and significant items	(5,167)	(647)	(5,814)
Significant Items	(738)	(548)	(1,286)
Operating (loss)/profit after impairment and significant items	(5,905)	(1,195)	(7,100)
Finance costs	(355)	(1,548)	(1,903)
Other finance costs	–	–	–
(Loss)/profit before tax	(6,260)	(2,743)	(9,003)
Income tax credit/(expense)	–	–	–
(Loss)/profit after tax as per comprehensive statement of income	(6,260)	(2,743)	(9,003)

5. Segment reporting continued

12 months ended 31 March 2022	Cake Decoration £'000s	Head Office and non-trading subsidiaries £'000s	Continuing Operations £'000s	Discontinued Operations £'000s	Total Group £'000s
Total revenue	**42,545**	**–**	**42,545**	**1,275**	**43,820**
Intercompany sales	(2,114)	–	(2,114)	–	(2,114)
External revenue	**40,431**	**–**	**40,431**	**1,275**	**41,706**
Cost of sales	(24,301)	–	(24,301)	(1,063)	(25,364)
Gross profit	**16,130**	**–**	**16,130**	**212**	**16,342**
Income from Furlough Scheme	–	–	–	137	137
Other operating income	25	31	56	–	56
Distribution expenses	(3,960)	–	(3,960)	(47)	(4,007)
Administrative expenses	(12,396)	(506)	(12,902)	(403)	(13,305)
Operating (loss)/profit before impairment and significant items	**(201)**	**(475)**	**(676)**	**(101)**	**(777)**
Impairment charge		(16,103)	(16,103)	–	(16,103)
Significant Items	(254)	(56)	(310)	(229)	(539)
Operating (loss)/profit after impairment and significant items	**(455)**	**(16,634)**	**(17,089)**	**(330)**	**(17,419)**
Finance costs	(138)	(1,752)	(1,891)	–	(1,891)
Other finance costs	–	2	2	–	2
(Loss)/profit before tax	**(593)**	**(18,384)**	**(18,978)**	**(330)**	**(19,308)**
Income tax credit/(expense)	–	(2,384)	(2,384)	–	(2,384)
Profit on disposal	–	–	20,316	–	20,316
(Loss)/profit after tax as per comprehensive statement of income	**(593)**	**(20,768)**	**(1,046)**	**(330)**	**(1,376)**

Geographical segments

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

12 months ended 31 March 2023	**Group £'000s**
UK	**23,824**
Europe	**3,654**
USA	**3,606**
Rest of World	**1,356**
Total	**32,441**

The Group has one customer which constitutes over 13% of revenue in the Cake Decoration division.

12 months ended 31 March 2022	Cake Decoration £'000s	Discontinued Operations £'000s
UK	26,992	1,275
Europe	5,722	–
USA	6,892	–
Rest of World	825	–
Total	**40,431**	**1,275**

For the year ended 31 March 2022 two customers accounted for 10% of revenue

Notes to the Financial Statements (continued)

Year ended 31 March 2023

5. Segment reporting continued

Reconciliation of operating (loss)/profit to underlying adjusted EBITDA to 31 March 2023	Cake Decoration £'000s	Head Office and non-trading subsidiaries £'000s	Group £'000s
Operating (loss)/profit	(5,905)	(1,195)	(7,100)
Significant items	738	548	1,286
Depreciation	1,057	–	1,057
Underlying adjusted EBITDA	(4,110)	(647)	(4,757)

Reconciliation of operating (loss)/profit to underlying adjusted EBITDA to 31 March 2022	Cake Decoration £'000s	Head Office and non-trading subsidiaries £'000s	Continuing Operations £'000s	Discontinued Operations £'000s	Total Group £'000s
Operating (loss)/profit	(1,666)	405	(1,261)	2,626	1,365
Significant items	763	(966)	(203)	169	(34)
Depreciation	1,614	25	1,639	796	2,435
Amortisation	87	(35)	52	–	52
Underlying adjusted EBITDA	798	(571)	227	3,591	3,818

31 March 2023	Cake Decoration £'000s	Head Office and non-trading subsidiaries £'000s	Group £'000s
Segment assets	14,336	17,237	31,572
Segment liabilities	13,214	25,587	38,801
Net operating assets/(liabilities)	1,122	(8,350)	(7,229)
Non–current asset additions	–	–	–
Depreciation	(1,057)	(4)	(1,061)

31 March 2022	Cake Decoration £'000s	Head Office and non-trading subsidiaries £'000s	Continuing Operations £'000s	Discontinued Operations £'000s	Total Group £'000s
Segment assets	36,017	4,623	40	19,009	74,544
Segment liabilities	11,305	55,449	66,754	4,442	71,196
Net operating assets/(liabilities)	40,875	(52,094)	(11,219)	14,567	3,348
Non–current asset additions	444	–	444	185	629
Depreciation	(1,614)	(25)	(1,639)	(796)	(2,435)
Amortisation	(87)	35	(52)	–	(52)

6. Significant items

	12 months ended 31 March 2023 £'000s	12 months ended 31 March 2022 £'000s
Professional fees in relation to refinancing costs	**(349)**	(62)
Loss on sale of Wavertree site	**(199)**	
Professional fees in relation to Liverpool factory	**–**	(90)
Closure of Renshaw US warehouse	**(48)**	(15)
Management restructuring	**(690)**	(143)
Significant items – Continuing business	**(1,286)**	(310)
Continuing business	**(1,286)**	(310)
Discontinued business	**–**	(229)
Total significant items	**(1,286)**	(539)

7. Auditor's remuneration

	12 months ended 31 March 2023 £'000s	12 months ended 31 March 2022 £'000s
Fees payable to the Company's auditor for the audit of the Group's annual accounts	**(140)**	(190)
Fees payable to the Company's auditor for other services:		
Audit related assurance services	**(28)**	(27)
Tax compliance services	**(22)**	(18)
Tax advisory services	**–**	(1)
Other assurance services	**–**	(7)
Total fees paid to auditor	**(190)**	(243)

The fee payable to the Company's auditor for the audit of the annual accounts has been split between Real Good Food plc, and its subsidiaries, as follows:

	12 months ended 31 March 2023 £'000s	12 months ended 31 March 2022 £'000s
Annual Accounts audit fee apportioned by division		
Real Good Food plc	**(115)**	(100)
Brighter Foods Ltd	**–**	20
J F Renshaw Ltd	**(55)**	(70)
Rainbow Dust Colours Ltd	**(20)**	(20)
	(190)	(190)

Notes to the Financial Statements (continued)

Year ended 31 March 2023

8. Operating loss

Operating loss for continuing operations

	Notes	12 months ended 31 March 2023 £'000s	12 months ended 31 March 2022 £'000s
External Sales		**32,411**	40,431
Staff Costs (Including Directors)	**12**	**(11,023)**	(11,696)
Inventories:			
– cost of inventories as an expense (included in cost of sales)		**(16,642)**	(18,577)
Depreciation of property, plant, and equipment	**5, 18**	**(1,057)**	(1,326)
Amortisation of intangible assets	**5, 17**	**–**	(9)
Significant items	**6**	**(1,286)**	(310)
Impairment charges	**16, 18**	**–**	(16,103)
Research and development expenditure		**–**	(646)
Impairment of trade receivables	**22**	**–**	(53)
Foreign exchange gains/(losses)		**–**	3
Other net operating expenses		**(9,532)**	(8,803)
Total		**(39,723)**	(57,520)
Operating loss		**(7,100)**	(17,089)

9. Finance costs

	12 months ended 31 March 2023 £'000s	12 months ended 31 March 2022 £'000s
Interest on bank loans, overdrafts, and investor loans	**(1,895)**	(1,896)
Interest on Pension scheme	**(42)**	–
Interest on lease liabilities	**(8)**	(12)
Finance cost on substantial modification of convertible loan notes**	**–**	17
	(1,945)	(1,891)
Total	**(1,945)**	(1,891)

10. Net Finance Income

	12 months ended 31 March 2023 £'000s	12 months ended 31 March 2022 £'000s
Interest on pension scheme liabilities (note 32)	**(546)**	(429)
Interest on pension scheme assets (note 32)	**588**	431
	42	2

11. Directors' remuneration

	12 months ended 31 March 2023 £'000s	12 months ended 31 March 2022 £'000s
Directors' salaries, benefits, and fees	**(484)**	(650)
	(484)	(650)

The emoluments of the Directors for the period were as follows:

	Fees/Salaries inc. Er's NIC £'000s	Taxable Benefits £'000s	Bonus £'000s	Pension Contributions £'000s	12 months ended 31 March 2023 £'000s	12 months ended 31 March 2022 £'000s
Mike Holt	224	–	63	–	**287**	281
Jacques d'Unienville	25	–	–	–	**25**	25
Maribeth Keeling (to 30 September 2022)	88	5	–	–	**93**	250
Judith Mackenzie	25	–	–	–	**25**	25
Anthony Ridgwell (to 23 August 2022)	10	–	–	–	**10**	27
Gail Lumsden (to 31 December 2022)	34	–	–	–	**34**	42
Andy Richardson (from 01 January 2023)	10	–	–	–	**11**	–
	416	5	63	–	**484**	650

This includes salaries and fees (including Employer's NI) received as an officer of the Company. Taxable benefits include car allowance, health and other taxable payments for expenses paid by the Company.

All salaries and fees disclosed are included in current year trading results.

Directors' fees paid to Judith MacKenzie are charged and paid to Downing LLP.

Consultancy fees and expenses paid to entities in which Directors hold a beneficial interest, for services provided to the Group by the Directors, are disclosed as related party transactions in note 31.

The current Company Directors disclosed are considered as key management personnel.

The current base annual salaries and fees paid to the Directors are as follows:

	Base Salary £'000s
Mike Holt	**275**
Jacques d'Unienville	**25**
Judith MacKenzie	**25**
Andy Richardson	**40**
	365

There were no options for directors at 31 March 2023 or 31 March 2022.

No new options were granted to Directors during the year (2022: nil). Options have historically been granted to Directors whose performances and potential contribution were judged to be important to the operations of the Group, as incentives to maximise their performance and contribution.

No Director exercised share options during the year.

During the period, retirement benefits were accruing to one director (2022: one).

12. Staff numbers and costs

The average monthly number of people employed by the Group (including Executive Directors) during the year, analysed by category, were as follows:

	31 March 2023 Group	31 March 2023 Company	31 March 2022 Group	31 March 2022 Company
Continuing operations				
Production	**145**	**–**	248	–
Selling and distribution	**36**	**–**	43	–
Directors and administrative	**20**	**3**	27	4
	201	**3**	318	4
Discontinued operations				
Production	**–**	**–**	170	–
Directors and administrative	**–**	**–**	46	–
	–	**–**	216	–
Total no. of staff	**201**	**3**	534	4

The aggregate payroll costs were as follows:

	31 March 2023 Group £'000s	31 March 2023 Company £'000s	31 March 2022 Group £'000s	31 March 2022 Company £'000s
Continuing operations				
Wages, salaries, and fees	**8,907**	**436**	9,989	439
Social security costs	**1,020**	**52**	1,056	67
Other pension costs	**602**	**6**	651	5
	10,529	**494**	11,696	511
Discontinued operations				
Wages, salaries, and fees	**–**	**–**	388	–
Social security costs	**–**	**–**	41	–
Other pension costs	**–**	**–**	8	–
	–	**–**	437	–
Total payroll costs	**10,529**	**494**	12,133	–

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the Group, other than those already listed in the Directors remuneration in note 11.

	31 March 2023 Group £'000s	31 March 2023 Company £'000s	31 March 2022 Group £'000s	31 March 2022 Company £'000s
Wages, salaries, and fees	**266**	**–**	256	–
Social security costs	**48**	**–**	35	–
Other pension costs	**–**	**–**	26	–
Total payroll costs	**314**	**–**	317	–

13. Notes supporting the cash flow statement

The cash collateral figure for the Group is £0.05 million (FY22: £0.5m). This has been provided to Lloyds Bank plc as security for insurance claims of the Group. This amount is not included in the cash flow.

Group

Real Good Food plc (Group)	Non-current Loans and Borrowings £'000s (Note 23)	Current Loans and Borrowings £'000s (Note 23)	Total £'000s
At 31 March 2021	46,624	2,659	**49,283**
Cash Flows	(23,100)	899	**(22,201)**
Non-cash flows			
– Interest accruing on loans	1,760	–	**1,760**
– Waiver of shareholder loans	(540)	_	**(540)**
Loans and borrowings classified as non-current at March 2021 becoming current before March 2022	(451)	451	**–**
At 31 March 2022	24,293	4,009	**28,302**
Cash Flows	374	1,301	**1,966**
Non-cash flows			
– Interest accruing on loans	1,202		**1,202**
At 31 March 2023	**25,869**	**5,310**	**31,179**

Net Debt

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

	Note	**31 March 2023 Group £'000s**	31 March 2022 Group £'000s
Short term borrowings	**23**	**(5,310)**	(4,009)
Short term lease liabilities	**23**	**(46)**	(48)
Long term borrowings	**23**	**(25,896)**	(24,293)
Long term lease liabilities	**23**	**(110)**	(155)
Cash		**93**	2,734
Total Net Debt		**(31,243)**	(25,771)

Group

	Net cash and current borrowings £'000s	Non-current borrowings £'000s	Net debt £'000s
At 1 April 2021	2,130	46,624	48,754
Cash flow[1]	(1,617)	(23,100)	(24,717)
Other non-cash movements[2]	519	1,215	1,734
At 31 March 2022	**1,032**	**24,739**	**25,771**
Cash flow	4,912	566	5,478
Other non-cash movements	(2)	(45)	(47)
At 31 March 2023	**5,982**	**25,301**	**31,243**

14. Taxation

Group

	31 March 2023 £'000s	31 March 2022 £'000s
Current tax		
UK current tax on loss of the period	–	–
UK current tax on significant items	–	–
Adjustments to tax in respect of prior years	–	–
Total current tax	–	–
Origination and reversal of timing differences	–	2,384
Adjustments in respect of prior years	–	–
Total deferred tax	–	2,384
Tax – continuing operations	–	2,384
Tax – discontinued operations	–	–
Total tax	–	2,384

Factors affecting tax charge for the period:

The tax assessed for the period differs from the standard rate of corporation tax in the UK of 19% (2022: 19%). The differences are explained below:

	31 March 2023 £'000s	31 March 2022 £'000s
Tax reconciliation		
Loss per accounts before taxation - continuing operations	(9,003)	(18,978)
Loss per accounts before taxation - discontinued operations	–	19,986
Total loss before taxation	(9,003)	1,008
Tax on loss on ordinary activities at standard corporation tax rate of 19%	(1,711)	191
Expenses not deductible for tax purposes	2,149	3,279
Movement on unrecognised deferred tax	(439)	(1,086)
Adjustments in respect of change in deferred tax rate	–	–
Adjustments to tax in respect of prior years	–	–
Total tax	–	2,384
Tax on continuing operations	–	2,384
Tax on discontinued operations	–	–
Tax charge for the period	–	2,384

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

15. Earnings per share

Basic earnings per share

Basic earnings per share is calculated on the basis of dividing the loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	12 months ended 31 March 2023 Group	12 months ended 31 March 2022 Group
(Loss)/profit after tax attributable to ordinary shareholders (£'000s)	**(9,003)**	(21,362)
Weighted average number of shares in issue for basic EPS ('000s)	**99,564**	99,564
Employee share options ('000s)	**–**	–
Convertible loan notes ('000s)	**246,291**	220,980
Weighted average number of shares in issue for diluted EPS ('000s)	**345,855**	320,544
Basic and diluted (loss)/earnings per share	**(9.04)p**	(21.46)p

The total loss per share for 2023 is (2.85)p for continuing and discontinued operations (2022 continuing and discontinued loss per share: (6.66)p).

The weighted average number of shares in issue for the year was 99,564,430 and no options outstanding.
There were also 8,806,571 convertible loan notes outstanding, of which the weighted average number of shares was 246,290,606.
Therefore, the weighted average number of dilutive potential ordinary shares is 345,855,036.

16. Goodwill

Goodwill acquired on business combinations is allocated at acquisition to the cash generating units that are expected to benefit from that business combination (2022: Impairment charge of £16.1m). The carrying amount of goodwill has been allocated as follows:

	Group £'000s
Cost	
At 1 April 2022	16,619
At 31 March 2023	**16,619**

	31 March 2023 £'000s	31 March 2022 £'000s
Cake Decoration	**16,619**	16,619

Assumptions:

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill may be impaired. The recoverable amount of any cash generating unit is determined based on the higher of fair value less costs of disposal and value-in-use calculations. The cash flows used in the value-in-use calculation are EBITDA (adjusted) performance less capital expenditure based on the latest Board-approved forecasts in respect of the following three years.

Long-term growth rate assumptions:

For the purposes of impairment testing, the cash flows are extrapolated over 5 years with a terminal value applied to the fifth year. The terminal value is calculated using the fifth year forecasted EBITDA (adjusted) performance and applying a 0% growth rate due to decline in market.

Discount rate assumptions:

The discount rate applied to the cash flows is 15% (2022: 10%). This rate is in line with the Company's actual weighted average cost of capital of 14.37% which takes account of the increased risk of being listed on AIM rather than the main market. It is representative of businesses operating within the food sector.

16. Goodwill continued

Impairment charge:

The impairment review did not result in an impairment of the goodwill held for Cake Decoration (2022: £16.1mil). Cake Decoration is a core division for the Group and is currently in turnaround. The investments made in manufacturing capability in recent years have not yet started to deliver the returns that could be expected, for example, and the Board believes that the current valuation, reflected here, necessarily, and materially underplays the potential value of this division. Plans to improve the strategic positioning, service delivery and commercial performance of this business are also in progress.

Sensitivity analysis:

An illustration of the sensitivity to reasonable possible changes in the discount rate assumption or the long-term growth rate are shown below:

- An increase of 5% in the Group's weighted average cost of capital of 15% to 20% would not cause an impairment.

17. Other intangible assets

	Customer Relationships £'000s	Computer Software £'000s	Development Costs £'000s	Group £'000s	Company £'000s
Cost					
At 1 April 2022	4,170	332	111	4,613	296
At 31 March 2023	**4,170**	**332**	**111**	**4,613**	**296**
Amortisation					
At 1 April 2023	4,170	332	111	4,613	296
Charge					
At 31 March 2023	–	–	–	–	–
Net Book Value at 31 March 2022	**–**	**–**	**–**	**–**	**–**

Intangible assets all relate to intangible assets acquired from third parties, other than development costs which are generated internally and capitalised in accordance with IAS 38.

The intangible assets held by the Company at 31 March 2023 are at £nil net book value (2022: £nil)

18. Property, plant and equipment

Group

	Land and Buildings £'000s	Plant and Equipment £'000s	Total £'000s
Cost			
At 1 April 2022	**3,201**	**16,166**	**19,367**
Additions	–	**492**	**492**
Disposals	–	–	–
At 31 March 2023	**3,201**	**16,658**	**19,859**
Depreciation			
At 1 April 2022	**1,367**	**11,029**	**12,396**
Charge	**42**	**1,015**	**1,057**
Disposals	–	–	–
At 31 March 2023	**1,409**	**12,044**	**13,453**
Net Book Value at 31 March 2023	**1,792**	**4,614**	**6,406**

As at 31 March 2023 the Group had the following assets held for sale.

	Real Good Food PLC	N Brown Foods Limited	**31 March 2023**	Real Good Food PLC	N Brown Foods Limited	31 March 2022
Property land and buildings		**148**	**148**	930	148	1,078
Total assets held for sale		**148**	**148**	930	148	1,078

18. Property, plant and equipment continued

	Restated Land and Buildings £'000s	Restated Plant and Equipment £'000s	Restated Total £'000s
Cost			
At 1 April 2021	3,201	15,322	18,523
Additions	–	844	844
Disposals	–	–	–
At 31 March 2022	**3,201**	**16,166**	**19,367**
Depreciation			
At 1 April 2021	1,308	9,945	11,253
Charge	59	1,084	1,143
Disposals	–	–	–
At 31 March 2022	1,367	11,029	12,396
Net Book Value at 31 March 2022	**1,834**	**5,136**	**6,970**

Right of use assets

From 1 April 2019, the Group has adopted IFRS 16 Leases. Right of use assets recognised upon adoption of the standard are reflected in the underlying asset classes of property, plant and equipment. The initial adjustments to cost are reflected in the table above as IFRS 16 adjustments. Set out below are the carrying amounts of right of use assets recognised and the movements during the year:

	Land and Buildings £'000s	Plant and Equipment £'000s	Total £'000s
Cost			
At 1 April 2022	**519**	**444**	**963**
Additions	**–**	**–**	**–**
Leases terminated	**(519)**	**–**	**(519)**
At 31 March 2023	**–**	**444**	**444**
Depreciation			
At 1 April 2022	**479**	**305**	**784**
Charge	**40**	**55**	**95**
Leases terminated	**(519)**		**(519)**
At 31 March 2023	**–**	**360**	**360**
Net Book Value at 31 March 2023	**–**	**84**	**84**

Capital commitments in relation to property, plant and equipment are disclosed in note 30. Details of assets which are secured against borrowings are detailed in note 23.

18. Property, plant and equipment continued

Company

	Land and Buildings £'000s	Plant and Equipment £'000s	Total £'000s
Cost			
At 1 April 2022	–	299	299
Disposal		299	299
At 31 March 2023	**–**	**–**	**–**
Depreciation			
At 1 April 2022	–	205	205
Charge		4	4
Disposal	–	201	201
At 31 March 2023	**–**	**–**	**–**
Net Book Value at 31 March 2023	**–**	**–**	**–**
Cost			
At 1 April 2021	–	299	299
At 31 March 2022	**–**	**299**	**299**
Depreciation			
At 1 April 2021	–	181	181
Charge	–	24	24
At 31 March 2022	**–**	**205**	**205**
Net Book Value at 31 March 2022	**–**	**94**	**94**

19. Investments

Company

Investments in shares of subsidiary undertakings:

	N Brown Foods Limited £'000s	Real Good Food Ingredients Limited £'000s	Renshaw Europe NV £'000s	Total Investments £'000s
At 31 March 2022	8,210	–	770	8,980
At 31 March 2023	**8,210**	**–**	**770**	**8,980**

A review of the investments held by the Company was undertaken in the year. This did not result in an impairment charge (2022: 45.7m charge).

The methodology and assumptions used in reviewing the investments were the same as that used in the Goodwill review. See note 16 for full details.

19. Investments continued

A full list of subsidiary undertakings (showing registered address and shares held) as at 31 March 2023 is disclosed below:

	Principal Activities	Description and Number of Shares Held	Proportion of Nominal Value of Shares Held
RGF Devizes Ltd*	Dormant	4,052,659 Ordinary £1	100%
Eurofoods Ltd*	Dormant	260,000 Ordinary £1	100%
		50,000 Preference £1	100%
N Brown Foods Ltd*	Holding Company	28,248,096 Ordinary 50p	100%
Renshaw US Incorporated*	Cake Decoration Supplier	200 Ordinary $1	100%
JF Renshaw Ltd	Cake Decoration Supplier	15,685,164 Ordinary £1	100%
RGFC Dust Ltd*	Holding Company	1 Ordinary £1	100%
Rainbow Dust Colours Ltd	Cake Decoration Supplier	500 Ordinary £1	100%
Real Good Food Ingredients Ltd*	Food Ingredients Supplier	2,500,000 Ordinary £1	100%
Whitworths Sugars Ltd	Dormant	2 Ordinary £1	100%
Renshaw Europe NV*	Cake Decoration Supplier	461,500 Ordinary €1	100%

* Held directly by Real Good Food plc.

All entities have their registered office at 229 Crown Street, Liverpool L8 7RF except for the following:

Renshaw Europe NV registered office at 1348 Ottignies-Louvain-la-Neuve, Chemin du Cyclotron 6, Bruxelles

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

20. Deferred taxation liability/(asset)

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

	31 March 2023 Group £'000s	**31 March 2023 Company £'000s**	31 March 2022 Group £'000s	31 March 2022 Company £'000s
Opening position	**(648)**	**(374)**	1,210	1,426
(Credit) to income statement			(2,384)	(2,327)
Charge/(Credit) to other comprehensive income – defined benefit pension scheme movement	**477**	**477**	527	527
Charge to equity - deferred tax on share-based payments			–	–
Closing position	**171**	**103**	647	374
Shown as follows:				
Liabilities	**(171)**		(647)	(374)
Assets		**103**		
	(171)	**103**	(647)	(374)

Notes to the Financial Statements (continued)

Year ended 31 March 2023

20. Deferred taxation liability/(asset)

Group

Deferred tax assets

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

	Pension Scheme £'000s	Tangible Assets £000s	Total £'000s
At 31 March 2022	(374)	(274)	(648)
(Credit) to income statement	–	–	–
Charge to other comprehensive income	477	–	–
At 31 March 2023	**103**	**(274)**	**(171)**
Within 12 months			
Greater than 12 months	103	(274)	(171)

Company

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

	Pension Scheme £'000s	Total £'000s
At 31 March 2022	(374)	(374)
(Credit) to income statement	–	–
Charge to other comprehensive income	477	477
At 31 March 2023	**103**	**103**
Within 12 months	–	–
Greater than 12 months	103	103

21. Inventories

	31 March 2023 Group £'000s	**31 March 2023 Company £'000s**	31 March 2022 Group £'000s	31 March 2022 Company £'000s
Materials	**2,050**	**–**	1,589	–
Work in Progress	**58**	**–**	19	–
Finished Goods	**1,587**	**–**	2,416	–
	3,695	**–**	4,024	–

Inventories totalling £3,695k (2022: £4,024k) are valued at the lower of cost and net realisable value. The Directors consider that this value represents the best estimate of the fair value of those inventories net of costs to sell. The company does not hold inventory.

22. Trade and other receivables

	31 March 2023 Group £'000s	31 March 2023 Company £'000s	31 March 2022 Group £'000s	31 March 2022 Company £'000s
Current trade and other receivables				
Trade receivables	**4,328**	**18**	5,553	18
Less: provision for impairment of receivables	**(132)**	**–**	(53)	–
Net trade receivables	**4,195**	**18**	5,500	18
Other receivables	**123**	**–**	502	13
Amounts owed by Group undertakings	**–**	**9,356**	–	8,590
Prepayments	**392**	**26**	570	47
Total	**4,711**	**9,400**	6,572	8,668
Amount due within 12 months	**4,711**	**9,400**	6,572	8,668
Amount due after 12 months	**–**	**–**	–	–
Total	**4,711**	**9,400**	6,572	8,668

Amounts owed by group undertakings are repayable on demand and no interest is being applied.

Provision for impairment of receivables

	31 March 2023 Group £'000s	31 March 2023 Company £'000s	31 March 2022 Group £'000s	31 March 2022 Company £'000s
At 31 March 2022	**(53)**	**–**	(230)	–
Charge for period	**79**	**–**	177	–
At 31 March 2023	**(132)**	**–**	(53)	–

The Group applies the IFRS 9 simplified approach to calculating its expected credit loss, using a lifetime expected loss provision for trade receivables. To measure expected credit loss, trade receivables are grouped based upon their ageing. The expected losses are based on the Group's historical credit losses and are then adjusted by 50% to account for the current economic climate.

At 31 March 2023, the lifetime expected credit loss for trade receivables in the Group is as follows:

	Less than 30 days old £'000s	30-60 days old £'000s	60-90 days old £'000s	90-365 days old £'000s	Over 365 days old £'000s	Total £'000s
Expected loss rate	1%	2%	3%	6%	100%	
Gross carrying amount	3,961	54	89	125	82	4,311
Loss provision	40	1	1	8	82	132

Trade receivables primarily represent blue chip customers with good credit ratings. In assessing and granting credit, the Group relies on professional credit rating agencies and has credit insurance policies in place for added protection. There is no concentration of credit risk within trade receivables as the Group trades with a broad base of customers primarily within the UK, over various different sectors.

Trade receivables of £0.2 million were past due but not impaired. The ageing analysis of these receivables is as follows:

	31 March 2023 Group £'000s	31 March 2022 Group £'000s
Up to 30 days past due	**54**	236
One to three months past due	**89**	91
Over three months past due	**74**	158
	217	485

Notes to the Financial Statements (continued)

Year ended 31 March 2023

23. Borrowings and capital management

	31 March 2023 Group £'000s	**31 March 2023 Company £'000s**	31 March 2022 Group £'000s	31 March 2022 Company £'000s
Secured borrowings at amortised cost				
Bank term loans	**719**	**–**	1,476	–
Revolving credit facilities	**5,310**	**–**	3,267	–
Leases	**156**	**–**	203	–
Investor loans*	**7,725**	**7,725**	7,256	7,256
Convertible loan notes**	**17,425**	**17,425**	16,103	16,103
Government grants	**–**	**–**	–	–
	31,335	**25,151**	28,505	23,559
Borrowings due for settlement within 12 months	**6,029**	**–**	4,009	–
Lease liabilities due for settlement within 12 months	**46**	**–**	48	–
Borrowings due for settlement after 12 months	**25,150**	**25,151**	24,293	23,559
Lease liabilities due for settlement after 12 months	**110**	**–**	155	–
Total	**31,335**	**25,151**	28,505	23,559

* The investor loans shown consists of £4.7 million principal amount, £2.3 million accrued interest up to 31 March 2023 and redemption premiums of £0.7 million.

** Convertible loan notes shown at 31 March 2023 consist of £8.8 million investment (2021: £8.8 million), £8.6 million accrued interest (2022: £7.5 million).

All existing shareholder loans are due to be paid in May 2024.

Convertible loan notes

In May 2018, the Company secured further funding from each of its major shareholders totalling £8.8 million. NB Holdings Ltd and Omnicane Investors Ltd each providing £3.4 million, and funds managed by Downing LLP provided £1.9 million. This instrument has since, with shareholder approval, been replaced with convertible loan notes ("CLN's") of £8.8 million with a conversion price of 5 pence. The loan is repayable in 3 years from the date of issue or can be converted at any time into shares at the holder's option. The loan note holders agreed to amend the repayment date of the loans to May 2024, however the documentation is not yet signed. The instrument accrues interest at a rate of 12 percent per annum accruing daily and will mature and be due for repayment in full on 19 May 2023, unless they are redeemed before that date. The loan note holders have pledged to amend the repayment date to the 19 May 2024; however, the documentation is not yet signed. On that date, unless the convertible loan notes are converted into ordinary shares on the conversion date, a redemption premium fee will be payable. The redemption fee, which stopped accruing from 1 January 2021, will be an amount which, when added to the interest accrued on the relevant notes, provides a total return equal to the amount which would have accrued in respect of such notes from the date of the convertible loan note instrument until and including the date the notes are redeemed in full had the interest rate been 12 per cent per annum. A host loan at amortised cost and an embedded derivative liability, being measured at fair value with changes in value being recorded in profit or loss, have been recognised. At 31 March 2023, the derivative liability was valued at £0.02 million (2022: £0.02 million). The convertible loan notes shown consist of a host loan at amortised cost of £17.4 million, £8.6 million of accrued finance costs. There were no substantial modifications to the loan notes in the period ended 31 March 2023.

Features of the Group's borrowings are as follows: The Group's financial instruments comprised cash, leases, a revolving credit facility, investor loans and various items arising directly from its operations, such as trade payables and receivables. The main purpose of these financial instruments is to finance the Group's operations. The main risks from the Group's financial instruments are interest rate risk and liquidity risk. Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The Group also has some currency exposure in relation to its Euro and US Dollar commodity purchases. However, this is mitigated by matching in part against foreign currency sales. The Board reviews and agrees policies, which have remained substantially unchanged for the year under review, for managing these risks. The Group's policies on the management of interest rate, liquidity and currency exposure risks are set out in the Report of the Directors. During the year ended 31 March 2023, the Group continued with the borrowing facilities in place and secured a new £2.5m revolving credit facility from Hilco Private Capital. As at 31 March 2023, the borrowings comprised: A revolving credit facility of £5.45 million with Leumi ABL Limited on a revolving basis with a term of 60 months. This facility is secured against the debtors of JF Renshaw Limited and Rainbow Dust Colours Limited with an interest rate of 2.25% above Sterling Overnight Index Average for Sterling Advances. Because the group retains the risks and rewards of ownership of the underlying debts, these continue to be recognised in these financial statements. A £1.3m term loan facility with Leumi ABL Limited with a term of 60 months ending in August 2024. A £2.5m revolving credit facility with Hilco Private Capital with a term of 12 months ending in November 2023. Terms have been agreed to extend this facility to November 2024. The facility is being renewed at £2.3m. The three major shareholders, NB Holdings Ltd, Omnicane Investors Ltd, and certain funds managed by Downing LLP continue to support the business.

23. Borrowings and capital management continued

The loan principals at 31 March 2023 were as follows:

Date	Principal Amount	Method of Funding	Major Shareholder(s)
May 2018	£8.8m	Secured convertible loan notes	NB Holdings Ltd (£3.4m), Omnicane Investors Ltd (£3.4m), Funds managed by Downing LLP (2.0m)
March 2018	£2.3m	Secured loan notes	NB Holdings Ltd (£0.9m), Omnicane Investors Ltd (£0.9m), Funds managed by Downing LLP (£0.6m)
January 2018	£0.3m	Secured loan notes	Funds managed by Downing LLP (£0.3m)
September 2017	£0.8m	Secured loan notes	Funds managed by Downing LLP (£0.8m)
June 2017	£1.3m	Secured loan notes	Funds managed by Downing LLP (£1.3m)
Total	**£13.5m**		

Liquidity risk management

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Board reviews the Group's liquidity position on a monthly basis and monitors its forecast and actual cash flows against maturing profiles of its financial assets and liabilities.

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

	Less than 1 month £'000s	**1–3 months £'000s**	**3 months to 1 year £'000s**	**1–5 years £'000s**	**5+ years £'000s**	**Total £'000s**
2023						
Trade and other payables	**5,247**	**852**	**510**	**–**	**–**	**6,609**
Investor loans	**–**	**–**	**–**	**4,704**	**–**	**4,704**
Convertible loan notes	**–**	**–**	**–**	**8,807**	**–**	**8,807**
Bank term loans	**–**	**–**	**–**	**714**	**–**	**714**
Revolving credit facilities	**–**	**–**	**5,310**	**–**	**–**	**5,310**
	5,247	**852**	**5,820**	**14,225**	**–**	**26,144**
Interest	**–**	**–**	**–**	**10,938**	**–**	**10,938**
Redemption premiums	**–**	**–**	**–**	**706**	**–**	**706**
Total	**5,247**	**852**	**5,820**	**25,865**	**–**	**37,788**

	Less than 1 month £'000s	1–3 months £'000s	3 months to 1 year £'000s	1–5 years £'000s	5+ years £'000s	Total £'000s
2022						
Trade and other payables	4,904	1,044	427	195	–	6,570
Investor loans	–	–	–	4,704	–	4,704
Convertible loan notes	–	–	–	8,800	–	8,800
Bank term loans	72	216	163	734	–	1,184
Revolving credit facilities	–	–	3,267	–	–	3,267
Leases	4	8	36	155	–	203
	4,980	1,268	3,893	14,588	–	24,729
Interest	–	–	–	9,349	–	9,349
Redemption premiums	–	–	–	706	–	706
Total	4,980	1,268	3,893	24,643	–	34,784

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

Notes to the Financial Statements (continued)

Year ended 31 March 2023

23. Borrowings and capital management continued

Analysis of market risk sensitivity

Currency risks:

The Group is exposed to currency risks on purchases of commodities from USA and Europe. The risk associated with these purchases is mitigated by sales also made to customers in these countries, however, to the extent that these do not cover each other there is a risk of exposure to the Group.

Interest rate risks:

The Group has an exposure to interest rate risk arising from borrowings based upon the Bank of England base rate. However, at the balance sheet date, the Group did not have any outstanding balance on these borrowing facilities, and so the impact of an increase in the applicable interest rates would, all other factors remaining unchanged, not have impacted profits.

24. Lease liabilities

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

	31 March 2023 £'000s	31 March 2022 £'000s
Current lease liabilities	**46**	48
Non-current lease liabilities	**110**	155
	156	203

The maturity of lease liabilities as at 31 March 2023 is further analysed as set out below:

	31 March 2023 £'000s	31 March 2022 £'000s
Due in less than one year	**46**	48
Due between one to five years	**110**	155
Due in over five years	**–**	–
	156	203

Lease liabilities have been discounted using an average annual rate of 4.41% (2022: 4.41%), which corresponds to the rate at which the Group has borrowed against assets.

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

	31 March 2023 Group £'000s	31 March 2022 Group £'000s
Lease liability at 1 April 2022	**203**	93
Lease additions	**–**	211
Repayments of lease liabilities	**(55)**	(113)
Interest expense	**8**	12
Lease liability at 31 March 2023	**156**	203

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

25. Trade and other payables

	31 March 2023 Group £'000s	31 March 2023 Company £'000s	Restated 31 March 2022 Group £'000s	Restated 31 March 2022 Company £'000s
Amount due within one year				
Trade payables	**3,213**	**135**	2,748	132
Other tax & social security	**822**	**17**	296	11
Accruals	**2,063**	**654**	3,036	189
Amounts owed to Group undertakings	**–**	**50,216**	–	51,465
Other payables	**511**	**50**	869	436
Total	**6,609**	**51,072**	6,950	52,233

26. Financial instruments

Set out below are the Group's financial instruments. The Directors consider there to be no difference between the carrying value and fair value of the Group's financial instruments.

	31 March 2023 Group £'000s	31 March 2023 Company £'000s	31 March 2022 Group £'000s	31 March 2022 Company £'000s
Loans and receivables at amortised cost				
Cash and cash equivalents	**93**	**4**	2,734	1,636
Cash collateral	**50**	**50**	50	50
Trade receivables	**4,195**	**18**	5,553	18
Other debtors	**123**	**0**	502	13
Amounts owed by Group undertakings	**–**	**9,356**	–	8,355
	4,853	**9,428**	8,839	10,072
Financial liabilities at amortised cost				
Trade payables	**3,213**	**135**	2,748	132
Accruals	**2,063**	**654**	3,036	189
Other payables	**511**	**50**	585	151
Bank term loans	**719**	**–**	1,185	–
Revolving Credit Facility	**5,310**	**–**	3,267	–
Lease assets	**156**	**–**	203	–
Investor loans	**7,725**	**7,725**	7,256	7,256
Convertible loan notes	**17,425**	**17,425**	16,303	16,303
Amounts owed to Group undertakings	**–**	**51,072**	–	51,465
	37,122	**77,061**	34,583	75,496
Total financial liabilities	**37,122**	**77,061**	34,583	75,496

The fair value of the embedded derivative liability as disclosed in the above table are classified as Level 3 in the fair value hierarchy. The fair value of the embedded derivative liability has been determined using a Monte-Carlo simulation. The significant inputs include volatility, risk-free rate, and the time period under analysis.

Notes to the Financial Statements (continued)

Year ended 31 March 2023

26. Financial instruments continued

Capital management

The Group is subject to the risk that its capital structure will not be sufficient to support the growth of the business. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. Capital is defined as the net assets of the Group, including cash.

The Group's approach to capital management is to fund its working capital requirements by trading generated cash flows supplemented by asset-based lending, which is the most favourable source of finance available to the business at this time, to assist in managing its seasonal requirements.

The three major shareholders, NB Holdings Ltd, Omnicane Investors Ltd, and certain funds managed by Downing LLP, support the business, and have provided significant funding to the Group by way of loans (note 23).

27. Share capital

	Number of Shares 2023	Number of Shares 2022	**31 March 2023 £'000s**	31 March 2022 £'000s
Allotted, called up and fully paid equity share capital				
At the beginning of the year (1 April)	**99,564,430**	99,564,430	**1,991**	1,991
Issued in the year	**–**	–	**–**	–
At the end of the year (31 March)	**99,564,430**	99,564,430	**1,991**	1,991

The ordinary shares have a par value of £0.02. Ordinary shares carry the right to participate in dividends and each share entitles the holder to one vote on matters requiring shareholder approval.

28. Reserves

Share premium: The share premium reserve comprises the premium paid over the nominal value of shares for shares issued.

Share option reserve: The share option reserve represents the cumulative share option charge.

Other reserve: Long-term liability arising from non-controlling interest payable upon exercise of the Brighter Foods Limited put option.

Retained earnings: The retained earnings reserve represents the cumulative surplus or deficit of the Group.

Foreign exchange translation reserve: The foreign exchange reserve represents the difference generated when converting profit and loss results at average rates and balance sheets at year end closing rates.

29. Post year-end activities

On 6 April 2023, the Group secured a £550,000 short-term loan from Downing LLP and Omnicane Investors Ltd, two of it principal shareholders and loan note holders. Interest rate of 12% annualised is payable on repayment together with a redemption premium. If the loan is repaid before 6 October 2024 a 100% redemption premium is payable if repayment is after 5 October 2024 the redemption premium is 200%.

In July 2023, John Tague was appointed as MD of JF Renshaw and Rainbow Dust Colours replacing Steve Moon. John has significant expertise and a track record of managing successful business transformations.

A 12-month extension has been agreed with Hilco Private Capital to roll-over £2.3 million of the £2.5 million facility dated 18 November 2022.

30. Commitments

Capital commitments

	31 March 2023 £'000s	31 March 2022 £'000s
Commitments for the acquisition of property, plant, and equipment	**–**	407

31. Related party transactions

During the year there were no related party transactions.

In the prior year, there were no consultancy fees paid to entities in which Directors hold a beneficial interest. Further to the disposal of Brighter Foods Limited on 11 May 2021 (a post-year end activity), each of NB. Ingredients Limited ("Napier Brown"), Omnicane International Investors Limited ("Omnicane"), and certain funds managed by Downing LLP ("Downing") (together the "Major Shareholders") each agreed to contribute £0.18 million towards the costs incurred by the Group in relation to the Disposal. The total contribution of £0.54 million was by way of a waiver of certain of the outstanding loan notes held by each of the Major Shareholders (the "Loan Note Waivers") reducing the amount of loan notes outstanding. This waiver was agreed in respect of certain costs related to the Disposal. The £540,000 attributable to waiver was split between c.£0.35 million of capital, £0.1 million relating to a bonus paid to M J Holt, with the remainder being in respect of interest and redemption premium. As Napier Brown (of which Anthony Ridgwell is a director) and Omnicane (of which Jacques D'Unienville is a director) are substantial shareholders of the Company and Judith MacKenzie, a director of the Company, is also a Partner of Downing, each of the Loan Note Waivers were deemed to be related party transactions pursuant to the AIM Rules for Companies. Maribeth Keeling, Mike Holt, and Gail Lumsden, the Independent Directors of the Company for this purpose, having consulted with the Company's Nominated Adviser, finnCap Ltd, considered the terms of the Loan Note Waivers to be fair and reasonable insofar as the Company's shareholders are concerned.

Post year-end, on 6 April 2023, the Group secured a £550,000 short-term loan from Downing LLP and Omnicane Investors Ltd, two of its principal shareholders and loan note holders. Interest rate of 12% annualised is payable on repayment together with a redemption premium. If the loan is repaid before 6 October 2024 a 100% redemption premium is payable if repayment is after 5 October 2024 the redemption premium is 200%.

Charges of Group services to related parties

Real Good Food plc charged its subsidiaries management fees for the year as follows:

	12 months ended 31 March 2023 £'000s	12 months ended 31 March 2022 £'000s
J F Renshaw Ltd	**1,101**	1,212
Rainbow Dust Colours Ltd	**54**	60
	1,155	1,272

32. 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 Company operates one defined benefits scheme which was closed to new members in 2000 and closed to future accrual with effect from 5 April 2004. The Defined Benefit scheme is a funded arrangement with assets held in a separate trustee-administered fund. Members of the Plan are entitled to retirement benefits based on their final salary at the date of leaving the Plan (or 5 April 2004 if earlier), and length of service. A pension funding agreement has been agreed with the Trustee under which employer contributions to the scheme will total £1.5 million between 1 January 2023 and 30 June 2025. For the purposes of IAS 19 the data provided for the 31 March 2021 actuarial valuation, has been approximately updated to reflect defined benefit obligations on the accounting basis at 31 March 2023. This has resulted in a Liability of 682k.

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

	31 March 2023 £'000s	31 March 2022 £'000s	31 March 2021 £'000s	31 March 2020 £'000s	31 March 2019 £'000s
Present value of defined benefit obligation	**16,123**	19,929	21,885	21,750	21,177
Fair value of Plan assets	**(15,440)**	(21,426)	(14,527)	(13,735)	(13,774)
Deficit in Plan	**683**	(1,497)	7,358	7,015	7,403
Effect of asset ceiling/IFRIC14	**–**	–	147	921	–
Gross amount recognised	**683**	(1,497)	7,505	7,936	7,403
Deferred tax*	**–**	–	(1,426)	(1,508)	(1,258)
Net liability	**683**	(1,497)	6,079	6,428	6,145

* Deferred tax rate 2022, 2021 and 2020: 19%, 2017, 2018 and 2019: 17%.

32. Pension arrangements continued

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

	31 March 2023 £'000s	31 March 2022 £'000s
Defined benefit obligation at start of period	**19,929**	21,855
Interest cost	**546**	429
Actuarial losses / (gains)	**(3,482)**	(1,536)
Past service cost	**–**	–
Benefits paid	**(871)**	(849)
Defined benefit obligation at end of period	**16,123**	19,929

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

	31 March 2023 £'000s	31 March 2022 £'000s
Fair value of Plan assets at start of period	**21,427**	14,527
Interest income on Plan assets	**588**	431
Return on assets less interest income	**(5,704)**	(1,182)
Contributions paid by the Group	**–**	8,500
Benefits paid, death-in-service insurance premiums and expenses	**(871)**	(850)
Fair value of Plan assets at end of period	**15,540**	21,426
UK equities	**–**	–
Other investments	**15,540**	21,426
Total plan assets at end of period	**15,540**	21,426

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

	31 March 2023 £'000s	31 March 2022 £'000s
Interest on liabilities	**546**	429
Interest on assets	**(588)**	(431)
Interest on effect of asset ceiling / IFRIC 14	**–**	–
Net interest cost	**(42)**	(2)
Past service cost	**–**	–
Total cost	**(42)**	(2)

32. Pension arrangements continued

Statement of recognised income and expenses

	31 March 2023 £'000s	31 March 2022 £'000s
Actuarial gain/(loss) on the Plan assets	**(5,704)**	(1,182)
Actuarial gain/(loss) on the Plan liabilities arising from changes in demographic assumptions	**(238)**	199
Actuarial (loss)/gain on the Plan liabilities arising from changes in financial assumptions	**4,481**	1,620
Actuarial (loss)/gain experience	**(761)**	(283)
Change in the effect of the asset ceiling / IFRIC14	**–**	147
Total amount recognised in Statement of Other Comprehensive Income	**(2,222)**	501

Assets

	31 March 2023 £'000s	31 March 2022 £'000s	31 March 2021 £'000s
UK equity	**–**	–	2,408
Absolute return fund	**2,575**	4,113	1,412
Corporate Bonds	**–**	–	2,936
Gilts	**4,299**	3,427	2,769
Multi-Asset Funds	**1,716**	4,621	4,827
Cash	**6,850**	9,265	175
Total assets	**15,440**	21,426	14,527

The investment strategy for the Plan is controlled by the Trustees, in consultation with the Company. None of the fair values of the assets shown above includes any of the Group's own financial instruments or any property occupied by, or other assets used by, the Group. Absolute return funds are invested in a diverse range of assets in order to achieve equity-like returns with reduced volatility. Alternative assets include infrastructure and derivatives.

Assumptions

	31 March 2023 £'000s	31 March 2022 £'000s	31 March 2021 £'000s	31 March 2020 £'000s
Inflation	**3.10**	3.80	3.40	2.70
Salary increases	**–**	–	–	–
Rate of discount	**4.50**	2.80	2.00	2.30
Allowance for pension in payment increases				
RPI max 5%	**3.10**	3.70	3.30	2.70
RPI min 3% max 5%	**3.50**	3.90	3.60	3.20
Allowance for revaluation of deferred pensions	**2.60**	3.30	2.70	2.20
Allowance for commutation of pension for cash at retirement	**90% of max allowance**	90% of max allowance	90% of max allowance	90% of max allowance

The obligations of the Plan have been calculated by projecting forwards the figures from the initial results of the latest valuation as at 31 March 2021 and then making appropriate adjustments for known experience and for differences in assumptions.

32. Pension arrangements continued

The mortality assumptions adopted at 31 March 2023 and 31 March 2022 imply the following life expectancies from age 65:

	31 March 2023	31 March 2022
Male retiring at age 65 in current year	**21 years**	21 years
Female retiring at age 65 in current year	**23 years**	23 years
Male retiring at age 65 in 20 years' time	**22 years**	22 years
Female retiring at age 65 in 20 years' time	**25 years**	25 years

The weighted–average duration of the defined benefit obligation at 31 March 2023 was 15 years (2022: 15 years).

Historic funding positions

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

	12 months ended 31 March 2023 £'000s	12 months ended 31 March 2022 £'000s	12 months ended 31 March 2021 £'000s	12 months ended 31 March 2020 £'000s	12 months ended 31 March 2019 £'000s
Fair value of assets	**15,440**	21,426	14,527	13,735	13,774
Defined benefit obligation	**(16,122)**	(19,929)	(21,885)	(20,750)	(21,177)
Effect of asset ceiling / IFRIC14	**(147)**	–	(147)	(921)	–
(Deficit) in scheme	**(682)**	1,497	(7,505)	(7,936)	(7,403)
Experience adjustment on scheme assets	**–**	–	–	(168)	518
Experience adjustment on scheme liabilities	**–**	–	–	–	427

Risks

The scheme is exposed to a number of risks, including:

Asset volatility: The Plan's defined benefit obligation is calculated using a discount rate set with reference to corporate bond yields; however, the Plan invests significantly in equities. These assets are expected to outperform corporate bonds in the long-term but provide volatility and risk in the short term.

Changes in bond yields: a decrease in corporate bond yields would increase the Plan's defined benefit obligation; however, this would be partially offset by an increase in the value of the Plan's bond holdings.

Inflation risk: a proportion of the Plan's defined benefit obligation is linked to inflation; therefore, higher inflation will result in a higher defined benefit obligation (subject to the appropriate caps in place). The majority of the Plan's assets are either unaffected by inflation, or only loosely correlated with inflation, therefore an increase in inflation would also increase the deficit.

Life expectancy: if Plan members live longer than expected, the Plan's benefits will need to be paid for longer, increasing the Plan's defined benefit obligation.

The Trustees and Company manage risks in the Plan through the following strategies:

Diversification: In order to counter asset volatility and changes in bond yields, investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

Investment Strategy: The Trustees are required to review their investment strategy on a regular basis and consult with the Company on any changes. The Trustees' investment strategy is set out in the Statement of Investment Principles.

Funding positions: The Trustees are required to assess the funding position annually by means of a formal actuarial report which must be shared with the Company.

32. Pension arrangements continued

Sensitivity analysis

The impact to the value of the defined benefit obligation of a reasonably possible change to one actuarial assumption, holding all other assumptions constant, is presented in the table below:

	Reasonably Possible Change	Obligation Increase	Obligation Decrease
Discount Rate	(+/– 0.5%)	6%	6%
RPI Inflation	(+/– 0.5%)	3%	3%
Assumed Life expectancy	(+/–) 1 Year	4%	4%

Small changes to other assumptions, such as the allowance for commutation of pension for cash at retirement, and the proportion of members assumed to be married at retirement, do not have such a significant effect on the obligations of the Plan.

33. Prior period adjustments

During 2022, the Group discovered that interest in relation to the discount facility had been incorrectly reported. This resulted in the funding value being understated. A manufacturing asset that has not been in use for a number of years has been written down to nil book value. Further to this the Group also found that an historic VAT fine had not been correctly recognised in the prior year. This resulted in the VAT liability being understated.

The errors have been corrected by restating the affected financial statement line items for the prior periods. The following tables summarise the adjustments.

Consolidated Statement of Financial Position

31 March 2022	As previously reported	Adjustments	As restated
Property plant and Equipment	8,066	(1,096)	6,970
Others	32,574		32,574
Total Assets	**40,640**	**(1,096)**	**39,544**
Trade and Other Payables	6,665	285	6,950
Borrowings	3,718	291	4,009
Others	25,147		25,147
Total Liabilities	**35,530**	**576**	**36,106**
Retained Earnings	(630)	(1,672)	(2,302)
Others	5,740		5,740
Total Equity	**5,110**	**(1,672)**	**3,438**

Consolidated Statement of Comprehensive Income

31 March 2022	As previously reported	Adjustments	As restated
Administrative expenses	12,902	–	12,902
Others	11,526	–	11,526
Net loss	1,376	–	1,376

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