20 December 2018

Real Good Food plc

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

Half year results for six months ended 30 September 2018

Real Good Food plc, (AIM: RGD) the diversified food business, today announces its half year results for the six months ended 30 September 2018.

Financial highlights

- Revenue from continuing operations of £30.4 million (2017: £31.9 million)
- Underlying adjusted EBITDA* from continuing operations, profit of £0.9 million (2017: loss of £0.4 million)
- Loss before tax of £9.1m (2017: loss of £3.4 million) includes £6.3m goodwill impairment charge
- Underlying financial performance benefited from cost savings despite weaker trading in Food Ingredients
- Haydens Bakery Ltd sold for £12m in September, enabling bank term loan to be fully repaid and putting cash back into the business
- Net debt at 30 September 2018 of £29.9 million (2017: £35.8 million), being predominantly shareholder loans offset by £10.5 million of net cash on the balance sheet (2017: £0.7 million)

Operational highlights

- Corporate governance:
    - Two new independent non-executive directors appointed to the Board
    - New procedures and controls in place and delivering benefits
- Business:
    - Continuing Group now focused on profitable core of Cake Decoration and Food Ingredients
    - Further disposal of historically loss-making, non-core subsidiary announced today
    - Central costs now materially reduced
    - Financing actions provided clarity and stability whilst enabling investment in growth

Current trading

- Trading remains in line with our modest expectations for the year
- Focus on profit improvement and growth, whilst managing net debt

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

Hugh Cawley, Chief Executive said:
"The first half saw significant, progressive corporate activity, including further restructuring of the Group to focus on our two core divisions, Cake Decorations and Food Ingredients. At the same time, the underlying performance of these continuing operations improved, reflecting the cost savings made.

"The performance of these continuing operations remains in line with our modest expectations for the year. Overall, the Board remains confident, but far from complacent, in the future prospects for the Group and reiterates that the performance of, and prospects for, what is now a smaller and more focused group, have improved considerably."

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About Real Good Food

Real Good Food plc is a diversified food business serving a number of market sectors including retail, manufacturing, foodservice and export. The Company focuses on three main markets: Cake Decoration (Renshaw and Rainbow Dust Colours), Food Ingredients (Brighter Foods) and Premium Bakery (Chantilly Patisserie).

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

Overview

Results

The period under review saw significant, progressive corporate activity, including further restructuring of the Group to focus on our two core divisions, being Cake Decoration and Food Ingredients. At the same time, the underlying performance of continuing operations improved, reflecting the cost savings made across the Group. Overall a profit was reported on continuing operations at the Group underlying adjusted EBITDA level (underlying adjusted EBITDA is defined as earnings before significant items, impairment, interest, tax, depreciation and amortisation) of £0.9 million compared to a loss in the same period last year of £0.4 million.

The loss before tax was £9.1 million (2017: loss of £3.4 million), after taking account of the impairment of goodwill in Cake Decoration of £6.3 million. Whilst this impairment reflects the fact that the fortunes of that division took a downturn in the recent past, the directors are equally sure that the business has strong longer-term potential and that it will be restored to greater profitability over the coming months; a sensible view has necessarily nonetheless been taken of today's value, resulting in this adjustment. With regards to the other contributors to the loss before tax, the material reduction in significant costs in the period was more than offset by the additional interest charges on the shareholder loans.

	6 months ended 30 Sept 2018	6 months ended 30 Sept 2017
Loss before tax from continuing operations	**(9,092)**	**(3,437)**
Depreciation of property, plant and equipment	**753**	824
Amortisation of intangibles	**737**	765
Impairment	**6,281**	-
Significant items	**382**	1,009
Finance costs	**1,783**	405
Other finance costs	**85**	82
Underlying adjusted EBITDA from continuing operations	**929**	**(352)**

The results of corporate activity during the period first became evident in April 2018, when we concluded the sale of the business and assets of Garrett Ingredients Ltd to Kent Foods for c.£1.9 million. A long-standing component of the Group, this relatively small-scale trading business was felt to be better suited to being part of a larger group. During September 2018, we next concluded the sale of Haydens Bakery Ltd to the Icelandic food group, Bakkavor Group plc, for £12.0 million, also in line with the Group's clearly stated strategy of disposal where there is greater value for the Group's shareholders through a sale than through continued ownership. There has also been further significant progress announced separately today.

In order to bring stability to the Group's funding arrangements, the half year also featured the issue of £8.8 million of Convertible Loan Notes (CLNs) to the major shareholders, who have shown continued support for the Group, and an over-subscribed Open Offer of a further £1.0 million. This allowed us to repay the rump of the existing bank term debt. The Group was also able to reduce the level of its external debt and the repayment of outstanding asset financing through the application of the business sales proceeds. Although the Group's level of debt outstanding remains higher than a business such as Real Good Food should have, these financing actions have provided much needed clarity and stability to enable the Group to move forward and invest in growth. Furthermore, the Group's balance sheet retains a significant tangible asset base and net assets significantly in excess of the Group's current stock market capitalisation.

Investment in growth

Within the core business, we started to invest modestly in new capacity for identified growth with new customers in Brighter Foods, with a new unit and production line expected to cost in the region of £2.5 million. The business is well-placed to capitalise on its unique capabilities to meet the growing demand for production capacity within the snack bars sector. The commissioning of an investment in Renshaw's soft icing capacity is also progressing, positioning the Company well for the uplift in demand seen within this category.

Proposed further disposal

Discussions around the future of the R&W Scott business concluded that it, too, could yield greater value to stakeholders of Real Good Food through its disposal, notwithstanding the solid improvements that have been achieved in its performance. We are delighted to be able to announce today that discussions to effect such a disposal have come to fruition, and that the details of this transaction, being a sale to the management team, are the subject of a separate announcement.

Corporate Governance

It is clear and demonstrable from experience that there is an undeniable correlation between strong corporate governance and strong corporate performance, and so considerable efforts have been expended in improving the former in light of the Group's recent issues. The exercise carried out earlier this year in cooperation with Ernst & Young, akin to the exercise required prior to applying for a stock market listing, demonstrated where and how it was necessary to improve. Apart from the clear need for independent non-executive directors – and we are fortunate indeed to have secured the services of two well qualified and appropriately experienced independent NEDs in the last three months – it was also clear that a variety of much less visible internal controls and governance mechanisms were required, including the establishment of closer and more collaborative relationships with our professional advisers.

Governance is, of course, an area where continuous improvement and vigilance is necessary, so, although we believe we have made significant and material strides in all areas of governance, which is already delivering benefits in how the business is being managed, we are determined to continue our progress in the coming months.

Board Changes

Since the year ended 31 March 2018, the Board has appointed two independent Non-Executive Directors. Mike Holt was appointed 7 August 2018 (also as Chair of the Audit and Risk Committee) and Steve Dawson was appointed 19 September 2018. Mike has held a number of Board level executive roles, giving him significant public market experience, whist Steve is an experienced specialist in food and beverage brands in the UK and in North America. These appointments have not only added expertise but also mean that we now have a better balance of executive, non-executive, and independent non-executive directors, in line with our commitment to improve corporate governance.

Outlook and Current Trading

The performance of the continuing operations remains in line with our modest expectations for the year, including continuing cost rationalisation, and investing to grow, whilst remaining cognisant of the importance of Christmas trading for Cake Decoration in particular.

Our priorities for the second half of the year are to establish the solid foundations for sustainable profit improvement and growth in the core businesses, including delivering on the investment in Brighter Foods and Renshaw; to finalise the re-shaping of the Group; including the disposal of R&W Scott Ltd announced today; continuing focus on management of net debt; to continue the improvement in our corporate governance practices and last but not least, to start to re-engage more fully with our stakeholders.

Overall, the Board remains more confident, but far from complacent, in the future prospects for the Group and reiterates that the performance of, and prospects for, what is now a smaller and more focused group, have improved considerably.

Divisional Business Reviews

Cake Decoration

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

	6 months ended 30 Sept 2018	6 months ended 30 Sept 2017 (restated)
External Revenue	**22,186**	22,460
Underlying adjusted EBITDA	**1,298**	487
Loss before tax	**(5,503)**	(59)

Total revenue at £22.2 million (2017: £22.5 million) was broadly flat for the first half. Some encouraging revenue growth has been seen in Renshaw North America and Rainbow Dust Colours. The UK market remains challenging, however, and offsets the benefits seen in these units. Underlying adjusted EBITDA at £1.3 million is an improvement of £0.8 million on the prior year. The improvement over the prior year relates to the cost savings made within the year and a stronger gross profit. The loss before tax stood at £5.5 million and reflects an impairment charge of £6.3 million. The Cake Decoration division is a core division for the Group and is currently in turnaround. The investments made in manufacturing capability in the last couple of years have not yet started to deliver the returns that could be expected, for example, and the Board believes that the current valuation, reflected here, necessarily and materially underplays the potential value of this division.

Food Ingredients

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

continuing operations only	6 months ended 30 Sept 2018	6 months ended 30 Sept 2017 (restated)
External Revenue	**6,908**	8,233
Underlying adjusted EBITDA	**1,443**	1,794
Profit before tax	**638**	1,004

The period saw an overall decline in revenue of 16% with underlying adjusted EBITDA at £1.4 million (2017: £1.8 million), or £0.4 million behind prior year. The phasing of revenue at Brighter Foods is more heavily weighted to the second half in this financial year when compared to the prior year due to the timing of promotional products and new product launches. Although the underlying adjusted EBITDA performance for Brighter Foods is behind its equivalent period last year due to lower revenue, full recovery of the shortfall is expected in the full year. Profit before tax of £0.6 million (2017: £1.0 million) is £0.4 million behind the prior year.

Premium Bakery

RGF Patisserie (Chantilly) manufactures, sells and distributes premium dessert products to its UK foodservice customer base.

continuing operations only	**6 months ended 30 Sept 2018**	**6 months ended 30 Sept 2017 (restated)**
External Revenue	**1,262**	1,213
Underlying adjusted EBITDA	**(27)**	16
Loss before tax	**(37)**	(93)

Revenue grew by 4% on the previous year, though underlying adjusted EBITDA in the period was slightly behind as a consequence of commodity costs and mix. RGF Patisserie (Chantilly) was part of Haydens Bakery in the prior year and was set up as a separate legal entity on 31 July 2018, in order to allow the separate sale of Haydens Bakery Ltd.

Head Office

The Group functions of Finance, Information Services, Technical, and Innovation provide support and best practice guidance to the businesses as required. Since the beginning of the new financial year each business now has resources allocated directly to help understanding and management of its operations as a stand-alone unit.

	6 months ended 30 Sept 2018	**6 months ended 30 Sept 2017 (restated)**
External Revenue	**-**	-
Underlying adjusted EBITDA	**(1,785)**	(2,649)
Loss before tax	**(4,190)**	(4,289)

The underlying adjusted EBITDA loss was £1.8 million, an improvement of £0.9 million on the prior year owing to the cost savings made. The loss before tax of £4.2 million reflects the reduction in significant costs in the period which were more than offset by the additional interest charges on the shareholder loans.

Finance Review (continuing operations)

Results of continuing operations	**6 months ended 30 Sept 2018**	**6 months ended 30 Sept 2017 (restated)**
External Revenue	**30,356**	31,906
Gross profit	**9,233**	9,220
Underlying adjusted EBITDA	**929**	(352)
Operating loss	**(7,224)**	(2,950)
Operating loss %	**(23.8%)**	(9.2%)
Loss before tax	**(9,092)**	(3,437)

Group revenue for the six months ended 30 September 2018 was £30.4 million (2017: £31.9 million). Group revenue was 5% behind prior year as a result of poor trading in the Food Ingredients division. Gross profit on the continuing business for the overall Group was £9.2 million (2017: £9.2 million). The Cake Decoration gross profit in the first half was better than prior year however this has been offset by the reduction in gross profit seen in the Food Ingredients division.

Underlying adjusted EBITDA for continuing operations at £0.9 million was £1.3 million ahead of prior year principally reflecting the cost savings made across the Group. Loss before tax for the 6 months ended 30 September 2018 at £9.1 million was £5.7 million behind the same period in the prior year. This reflected the gain within underlying adjusted EBITDA of £1.3 million plus reductions in significant costs of £0.6 million and depreciation and amortisation of £0.1 million which were offset by the additional interest charges on loans of £1.4 million, and the impairment charge of £6.3 million within Cake Decoration.

Net debt at 30 September 2018 amounted to £29.9 million (2017: £35.8 million). Net debt was principally from loans and accrued interest from shareholders of £26.0 million, convertible loan notes ("CLNs") at fair value of £8.4 million, asset financing of £1.9 million, Brighter Foods government grant of £0.3 million and revolving credit facilities of £3.8 million. Following the sale of Haydens Bakery Ltd, cash in the bank stood at £10.5 million with the bank term loan fully repaid. Net debt is calculated as total borrowings less cash and cash equivalents (see note 9).

Dividend

No dividend is proposed for the six months ended 30 September 2018 (2017: nil).

Impairment

The Cake Decoration division is a core division for the Group and is currently in turnaround. The investments made in manufacturing capability in the last couple of years have not yet started to deliver the returns that could be expected, 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.

Pension Scheme

The Group offers a defined contribution scheme for all current employees that is funded on a monthly basis. In addition, the Company operates a defined benefit scheme that was closed to new members in 2000.

In the 6 months to 30 September 2018 the deficit in the defined benefit scheme reduced by £0.7 million to £5.8 million compared to 31 March 2018. The plan assets increased by £0.1 million to £13.6 million and the plan liabilities are £19.3 million compared to £20.0 million at 31 March 2018 (see note 7).

Disposals

In the period a loss on disposal was recorded for Haydens Bakery Ltd of £2.1 million and a gain on disposal of £0.1 million was recorded for Garrett Ingredients Ltd (see note 11).

Assets and Liabilities Held for Sale

The Board has stated that, for any business where value realisation for stakeholders of Real Good Food plc would be better achieved through disposal to a third party, it would consider favourably the possibility of a sale. Following a review of the prospects of R&W Scott Ltd, a subsidiary of the Group, substantial progress was made towards a sale of that company before 30 September 2018, and the disposal of R&W Scott Ltd has been announced separately today (see note 12).

Cash Flow

The net increase in cash and cash equivalents for the period was £7.8 million. Cashflow from disposals, investor loans, CLNs and the open offer amounted to £23.7 million. The cash received was principally used to pay the Brighter deferred consideration of £4.5 million, fund capital expenditure of £1.3 million, pay down the term loan, revolving credit facilities and asset backed finance totalling £8.6 million, and fund working capital of £1.5 million.

This report was approved by the Board on 20 December 2018 and is signed on its behalf by:

Hugh CL Cawley
Chief Executive Officer

Introduction

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018, which comprises the interim financial statements and associated information.

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

Directors' responsibilities

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

Our responsibility

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

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

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

BDO LLP
Chartered Accountants
Manchester
20 December 2018

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

	Notes	unaudited 6 months ended 30 Sept 2018 £000's	unaudited 6 months ended 30 Sept 2017 * (restated) £000's	audited 12 months ended 31 Mar 2018 £000's
Revenue		**30,356**	**31,906**	**66,182**
Cost of sales		(21,123)	(22,686)	(47,738)
Gross profit		**9,233**	**9,220**	**18,444**
Distribution expenses		(1,635)	(1,612)	(3,384)
Administrative expenses		(8,159)	(9,549)	(18,791)
Impairment charge	8, 10	(6,281)	–	–
Significant items	8	(382)	(1,009)	(4,112)
Operating loss		**(7,224)**	**(2,950)**	**(7,843)**
Finance costs		(1,783)	(405)	(1,423)
Other finance costs		(85)	(82)	(164)
Loss before tax		**(9,092)**	**(3,437)**	**(9,430)**
Income tax credit/(expense)		6	(145)	613
Loss from continuing operations		**(9,086)**	**(3,582)**	**(8,817)**
Loss from discontinued operations	11, 12	(3,390)	(3,878)	(17,748)
Net loss		**(12,476)**	**(7,460)**	**(26,565)**
Attributable to:				
Owners of the parent		(12,686)	(7,636)	(27,099)
Non-controlling interests		210	176	534
Net loss		**(12,476)**	**(7,460)**	**(26,565)**
Items that will not be reclassified to profit or loss				
Foreign exchange differences on translation of subsidiaries		(67)	27	61
Actuarial gain/(loss) on defined benefit plan	7	575	112	(599)
Tax relating to items which will not be reclassified		(98)	(21)	100
Other comprehensive income/(loss)		**410**	**118**	**(438)**
Total comprehensive loss for the year		**(12,066)**	**(7,342)**	**(27,003)**
Attributable to:				
Owners of the parent		(12,276)	(7,518)	(27,537)
Non-controlling interests		210	176	534
Total comprehensive loss for the year		**(12,066)**	**(7,342)**	**(27,003)**

		30 Sept 2018	30 Sept 2017	31 Mar 2018**
Basic and diluted loss per share - total operations	**4**	**(14.64)p**	**(10.34)p**	**(35.58)p**
Basic and diluted loss per share - continuing operations		(10.73)p	(5.09)p	(12.28)p
Basic and diluted loss per share - discontinued operations		(3.91)p	(5.25)p	(23.30)p

* 30 Sept 2017 is restated for the acquisition accounting of Brighter Foods Ltd (see note 3).

** 31 March 2018 has been restated to remove the effect of non-controlling interests (see note 4).

	Notes	unaudited 30 Sept 2018 £000's	unaudited 30 Sept 2017* (restated) £000's	audited 31 Mar 2018 £000's
NON-CURRENT ASSETS				
Goodwill	10	62,769	72,723	69,955
Other intangible assets		2,431	4,573	3,247
Tangible fixed assets		14,640	35,557	30,098
Investments		81	82	81
Deferred tax asset		1,129	1,471	1,129
		81,050	**114,406**	**104,510**
CURRENT ASSETS				
Inventories		7,042	16,620	10,582
Trade and other receivables		8,043	19,796	15,296
Current tax assets		-	-	27
Cash collateral		2,000	2,000	2,000
Cash and cash equivalents		10,473	1,423	2,731
		27,558	**39,839**	**30,636**
Assets in disposal groups classified as held for sale	12	7,837	**-**	**-**
TOTAL ASSETS		**116,445**	**154,245**	**135,146**
CURRENT LIABILITIES				
Bank overdrafts		-	669	-
Trade and other payables		11,457	21,036	22,486
Borrowings	9	4,417	13,999	24,160
Current tax liability		54	11	-
		15,928	**35,715**	**46,646**
NON-CURRENT LIABILITIES				
Borrowings	9	35,996	22,587	16,390
Long-term liabilities - NCI put option	3	4,796	4,796	4,796
Derivative liability - Convertible Loan Notes	9	345	-	-
Deferred tax liabilities		2,043	2,324	2,035
Contingent consideration		-	4,520	-
Retirement benefit obligation	7	5,777	5,698	6,440
		48,957	**39,925**	**29,661**
Liabilities directly associated with assets in disposal groups classified as held for sale	12	3,843	**-**	**-**
TOTAL LIABILITIES		**68,728**	**75,640**	**76,307**
NET ASSETS		**47,717**	**78,605**	**58,839**
EQUITY				
Share capital		1,971	1,568	1,569
Share premium account		3,262	2,721	2,720
Share option reserve		310	415	310
Other reserve		(4,796)	(4,796)	(4,796)
Foreign exchange translation reserve		(54)	(21)	13
Retained earnings		45,011	77,273	57,220
EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT		**45,704**	**77,160**	**57,036**
Non-controlling interest		2,013	1,445	1,803
TOTAL EQUITY		**47,717**	**78,605**	**58,839**

* 30 Sept 2017 is restated for the acquisition accounting of Brighter Foods Ltd (see note 3).

For the six months ended 30 September 2018 (unaudited)	Issued Share Capital	Share Premium Account	Share Option Reserve	Other Reserve	Foreign Translation Reserve	Retained Earnings	Total	Non-Controlling Interest	Total Equity
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balances at 1 April 2018	1,569	2,720	310	(4,796)	13	57,220	**57,036**	1,803	**58,839**
Total comprehensive loss for the period							**-**		**-**
Loss for the year	-	-	-	-	-	(12,686)	**(12,686)**	210	**(12,476)**
Other comprehensive loss	-	-	-	-	(67)	477	**410**	-	**410**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**(67)**	**(12,209)**	**(12,276)**	**210**	**(12,066)**
Transactions with owners of the Group, recognised directly in equity									
Shares issued in the period, net of costs	402	542	-	-	-	-	**944**	-	**944**
Total contributions by and distributions to owners of the Group	**402**	**542**	**-**	**-**	**-**	**-**	**944**	**-**	**944**
Balances at 30 September 2018	**1,971**	**3,262**	**310**	**(4,796)**	**(54)**	**45,011**	**45,704**	**2,013**	**47,717**

For the six months ended 30 September 2017* (restated) (unaudited)	Issued Share Capital	Share Premium Account	Share Option Reserve	Other Reserve (restated)	Foreign Translation Reserve	Retained Earnings	Total	Non-Controlling Interest (restated)	Total Equity
	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s	£'000s
Balances at 1 April 2017	1,411	122	415	-	(48)	84,818	**86,718**	-	**86,718**
Total comprehensive loss for the period							**-**		**-**
Loss for the year	-	-	-	-	-	(7,636)	**(7,636)**	176	**(7,460)**
Other comprehensive loss	-	-	-	-	27	91	**118**	-	**118**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**27**	**(7,545)**	**(7,518)**	**176**	**(7,342)**
Transactions with owners of the Group, recognised directly in equity									
Shares issued in the period	157	2,599	-	-	-	-	**2,756**	-	**2,756**
Acquisition of majority interest	-	-	-	-	-	-	**-**	746	**746**
Total contributions by and distributions to owners of the Group	**157**	**2,599**	**-**	**-**	**-**	**-**	**2,756**	**746**	**3,502**
Balances at 30 September 2017 as previously reported	**1,568**	**2,721**	**415**	**-**	**(21)**	**77,273**	**81,956**	**922**	**82,878**
Restatements									
Long-term liabilities	-	-	-	(4,796)	-	-	**(4,796)**	-	**(4,796)**
Acquisition of majority interest	-	-	-	-	-	-	**-**	523	**523**
Restated balances at 30 September 2017	**1,568**	**2,721**	**415**	**(4,796)**	**(21)**	**77,273**	**77,160**	**1,445**	**78,605**

* 30 Sept 2017 is restated for the acquisition accounting of Brighter Foods Ltd (see note 3).

For the twelve months ended 31 March 2018 (audited)	Issued Share Capital £'000s	Share Premium Account £'000s	Share Option Reserve £'000s	Other Reserve £'000s	Foreign Translation Reserve £'000s	Retained Earnings £'000s	Total £'000s	Non-Controlling Interest £'000s	Total Equity £'000s
Balances at 1 April 2017	1,411	122	415	-	(48)	84,818	**86,718**	-	**86,718**
Total comprehensive loss for the period							**-**		**-**
Loss for the year	-	-	-	-	-	(27,099)	**(27,099)**	534	**(26,565)**
Other comprehensive loss	-	-	-	-	61	(499)	**(438)**	-	**(438)**
Total comprehensive loss for the period	**-**	**-**	**-**	**-**	**61**	**(27,598)**	**(27,537)**	**534**	**(27,003)**
Transactions with owners of the Group, recognised directly in equity									
Shares issued in the period	158	2,598	-	-	-	-	**2,756**	-	**2,756**
Share based payments	-	-	(5)	-	-	-	**(5)**	-	**(5)**
Deferred tax on share based payments	-	-	(100)	-	-	-	**(100)**	-	**(100)**
Long-term liabilities	-	-	-	(4,796)	-	-	**(4,796)**	-	**(4,796)**
Acquisition of majority interest	-	-	-	-	-	-	**-**	1,269	**1,269**
Total contributions by and distributions to owners of the Group	**158**	**2,598**	**(105)**	**(4,796)**	**-**	**-**	**(2,145)**	**1,269**	**(876)**
Balances at 31 March 2018	**1,569**	**2,720**	**310**	**(4,796)**	**13**	**57,220**	**57,036**	**1,803**	**58,839**

Real Good Food plc

Advisors and Company Information

	Notes	unaudited 6 months ended 30 Sept 2018 £000's	unaudited 6 months ended 30 Sept 2017 * (restated) £000's	audited 12 months ended 30 Mar 2018 £000's
CASH FLOW FROM OPERATING ACTIVITIES				
Adjusted for:				
(Loss) before taxation		(12,482)	(7,346)	(26,512)
Finance and other finance costs		1,868	665	1,805
FX movement		82	26	152
Share based payment expense		-	-	(5)
Loss arising from disposal of discontinued business	11	2,006	-	142
Loss on disposal of property plant and equipment		-	-	107
Depreciation of property, plant and equipment		1,725	1,494	2,929
Impairment charge	8, 10	6,281	1,724	10,494
Past service gain on pension		-	-	115
Amortisation of intangibles		749	814	2,274
Operating Cash Flow		**229**	**(2,623)**	**(8,499)**
(Increase)/decrease in inventories		(161)	(2,248)	3,675
Decrease/(increase) in receivables		917	(2,747)	1,641
Pension contributions	7	(173)	(366)	(942)
NCI put option		-	(4,796)	(4,796)
(Decrease)/increase in payables		(6,715)	6,732	3,155
Cash used in operations		**(5,903)**	**(6,048)**	**(5,766)**
Income taxes paid/(received)		-	(100)	1
Interest paid		(138)	(583)	(809)
Net cash outflow from operating activities		**(6,041)**	**(6,731)**	**(6,574)**
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of intangible assets		(2)	(93)	(249)
Purchase of property, plant and equipment		(1,292)	(11,227)	(10,961)
Disposal of discontinued business, net of cash disposed of	11	13,342	-	-
Acquisition of business, net of cash acquired		-	(1,782)	(1,781)
Net cash inflow/(outflow) from investing activities		**12,048**	**(13,102)**	**(12,991)**
CASH FLOW FROM FINANCING ACTIVITIES				
Shares issued in year, net of transaction costs		944	2,756	2,756
Repayment of loans	9	(1,750)	(627)	(750)
Inflow of Investor Loans	9	856	15,212	21,398
Inflow of CLN's	9	8,545	-	-
Drawdowns on revolving credit facilities	9	39,350	1,585	99,266
Repayments to revolving credit facilities	9	(42,726)	-	(99,930)
Asset finance cashflow		-	1,816	1,008
Capital repayments on asset finance	9	(3,463)	-	(1,306)
Net cash inflow from financing activities		**1,756**	**20,742**	**22,442**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**7,763**	**909**	**2,877**
CASH AND CASH EQUIVALENTS				
Cash and cash equivalents at beginning of period		2,731	(155)	(155)
Effects of currency translation on cash and cash equivalents		(21)	-	9
Net movement in cash and cash equivalents		7,763	909	2,877

Cash and cash equivalents at end of period	**10,473**	**754**	**2,731**

* 30 Sept 2017 is restated for the acquisition accounting of Brighter Foods Ltd (see note 3).

1. Preparation of the interim statements

General information

Real Good Food plc is a public limited company incorporated in England and Wales under the Companies Act (registered number 04666282). The Company is domiciled in England and Wales and its registered address is 61 Stephenson Way, Wavertree, Liverpool L13 1HN. The Company's shares are traded on the Alternative Investment Market (AIM).

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

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

Basis of preparation

These condensed consolidated interim statements are compliant with the recognition and measurement principles of International Financial Reporting Standards (IFRS) as adopted by the European Union and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) but does not include all disclosures required by IAS 34. The financial information for the six months ended 30 Sept 2018 and 30 Sept 2017 are not statutory accounts and as such, have not been audited, but have been reviewed by our auditors. The comparative financial information provided for the twelve months ended 31 March 2018 are not a complete set of statutory accounts. For the full 31 March 2018 statutory accounts, please refer to our website. The accounts are prepared on a going concern basis.

Discontinued operations

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

During the six months to 30 September 2018, the Group sold Garrett Ingredients Ltd and Haydens Bakery Ltd. Details of the discontinued operations are disclosed in note 11. At 30 September 2018, the assets and liabilities of R&W Scott Ltd are classed as held for sale. For further details please refer to note 12.

Any references to discontinued operations throughout this report refer to Garrett Ingredients Ltd, Haydens Bakery Ltd and R&W Scott Ltd.

IFRS standards and interpretations adopted

The Group has applied the same accounting policies in its interim consolidated financial statements as in its 31 March 2018 annual financial statements, except for those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2018 and will be adopted in the 2019 annual financial statements. New standards impacting the Group to be adopted in the annual financial statements for the year ended 31 March 2019, and which have given rise to changes in the Group's accounting policies are:

- IFRS 9 Financial Instruments; and
- IFRS 15 Revenue from Contracts with Customers

Details of the impact of these two standards are given below:

IFRS 9 has replaced IAS 39 Financial Instruments: Recognition and Measurement. The impairment provision on financial assets measured at amortised cost (including trade and other receivables) has been calculated in accordance with the IFRS 9 expected credit loss model, which differs from the incurred loss model previously required by IAS 39. This has, however, not resulted in any increase to the impairment provision at 31 March 2018. The requirements of IFRS 9 have been followed in the treatment of the Convertible Loan Notes issued in the period.

IFRS 15 has replaced IAS 18 Revenue and IAS 11 Construction Contracts as well as various Interpretations previously issued by the IFRS Interpretations Committee. Most of the Group's revenue comes from products where delivery is the only significant performance obligation resulting in revenue being recognised under the new standard at the same point as it was before the adoption of IFRS 15. In addition, the Group offers rebates which have been fully provided based on expected sales over the duration of each agreement so, again, the adoption of IFRS 15 has not resulted in any accounting changes.

Details of other new and amended standards and Interpretations issued by the IASB that will apply for the first time in the next annual financial statements and are expected to impact the Group are given below:

Implementation of IFRS 16 Leases in the period starting 1 April 2019 will require us to capitalise assets financed through operating leases, and operating costs will be substituted by interest and depreciation. The Group has developed its plans to be able to report in accordance with the standard and will be applying the modified retrospective method. There will, therefore, be no impact on any comparative accounting period up to and including 31 March 2019 with the cumulative effect of initial application of the standard being recognised as an adjustment to the opening balance of equity at 1 April 2019.

Going Concern

The Directors have considered the Group's business activities together with the factors likely to affect its planned future performance. The forecasts, based on sensitised versions of those submitted by the businesses, consider reasonable possible changes in trading performance and these assumptions have been projected which show that the business is able to operate with a sufficient level of headroom, providing all current debt facilities remain in place. The principal shareholders of the Group have shown considerable support for the working capital requirements and, having carefully considered the liquidity of the Company in line with the current strategy and future performance, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the next 12 months. Looking beyond that horizon, the Board is fully conscious of the significant potential cash demands from the repayment of shareholder loans, for example, and such matters will receive appropriate consideration, of course, well in advance of the due dates.

2. Segment analysis

Geographical Segments

The Group earns revenue from countries outside the United Kingdom, these represent 21.9% of the total revenue of the Group to 30 Sept 2018 (6 months to Sept 2017: 12.3%). The Cake Decoration division accounts for the majority of this turnover.

Business segments

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

The Group operates in three main divisions, Cake Decoration, Food Ingredients and Premium Bakery. The Head Office functions of Finance, Human Resources, Technical, Marketing and Innovation provide support to the divisions in varying scale.

Unaudited segment analysis for these divisions for the six months ended 30 September 2018 is provided below, along with reconciliations to the underlying adjusted EBITDA:

	Cake Decoration £000's	Food Ingredients £000's	Premium Bakery £000's	Head Office £000's	Continuing Operations £000's	Discontinued Operations £000's	Total Group £000's
Total Revenue	**26,843**	**6,908**	**1,262**	**-**	**35,013**	**21,145**	**56,158**
Intercompany Sales	(4,657)	-	-	-	(4,657)	(346)	(5,003)
External Revenue	**22,186**	**6,908**	**1,262**	**-**	**30,356**	**20,799**	**51,155**
Cost of sales	(14,842)	(5,125)	(1,001)	(155)	(21,123)	(17,888)	(39,011)
Gross Profit	**7,344**	**1,783**	**261**	**(155)**	**9,233**	**2,911**	**12,144**

Distribution expenses	(1,409)	(140)	(86)	-	(1,635)	(890)	(2,525)
Administrative expenses	(5,069)	(1,000)	(208)	(1,882)	(8,159)	(5,272)	(13,431)
Significant items and impairments	(6,297)	(4)	(4)	(358)	(6,663)	(39)	(6,702)
Operating profit/(loss)	**(5,431)**	**639**	**(37)**	**(2,395)**	**(7,224)**	**(3,290)**	**(10,514)**
Finance costs	(72)	(1)	-	(1,710)	(1,783)	(100)	(1,883)
Other finance costs	-	-	-	(85)	(85)	-	(85)
Profit/(loss) before tax	**(5,503)**	**638**	**(37)**	**(4,190)**	**(9,092)**	**(3,390)**	**(12,482)**
Income tax expense/(credit)	-	11	-	(5)	6	-	6
Net profit/(loss)	**(5,503)**	**649**	**(37)**	**(4,195)**	**(9,086)**	**(3,390)**	**(12,476)**

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

Comparative unaudited segment analysis for the six months ended 30 Sept 2017* is:

	Cake Decoration £000's	Food Ingredients £000's	Premium Bakery £000's	Head Office £000's	Continuing Operations £000's	Discontinued Operations £000's	Total Group £000's
Total Revenue	**26,604**	**8,233**	**1,213**	**-**	**36,050**	**34,135**	**70,185**
Intercompany Sales	(4,144)	-	-	-	(4,144)	(2,402)	(6,546)
External Revenue	**22,460**	**8,233**	**1,213**	**-**	**31,906**	**31,733**	**63,639**
Cost of sales	(15,597)	(6,118)	(912)	(59)	(22,686)	(28,382)	(51,068)
Gross Profit	**6,863**	**2,115**	**301**	**(59)**	**9,220**	**3,351**	**12,571**
Distribution expenses	(1,358)	(172)	(82)	-	(1,612)	(984)	(2,596)
Administrative expenses	(5,454)	(939)	(312)	(2,844)	(9,549)	(4,122)	(13,671)
Significant items and impairments	-	-	-	(1,009)	(1,009)	(1,976)	(2,985)
Operating profit/(loss)	**51**	**1,004**	**(93)**	**(3,912)**	**(2,950)**	**(3,731)**	**(6,681)**
Finance costs	(110)	-	-	(295)	(405)	(178)	(583)
Other finance costs	-	-	-	(82)	(82)	-	(82)
Profit/(loss) before tax	**(59)**	**1,004**	**(93)**	**(4,289)**	**(3,437)**	**(3,909)**	**(7,346)**
Income tax expense/(credit)	49	(274)	-	80	(145)	31	(114)

Net profit/(loss)	(10)	730	(93)	(4,209)	(3,582)	(3,878)	(7,460)

* 30 Sept 2017 is restated for the acquisition accounting of Brighter Foods Ltd, and reallocation of Head Office costs to the Cake Decoration pillar (see note

Reconciliation of operating profit/(loss) to underlying adjusted EBITDA	Cake Decoration	Food Ingredients	Premium Bakery	Head Office	Continuing Operations	Discontinued Operations	Total Group
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Operating profit/(loss)	**51**	**1,004**	**(93)**	**(3,912)**	**(2,950)**	**(3,731)**	**(6,681)**
Significant items and impairments	-	-	-	1,009	1,009	1,976	2,985
Depreciation	397	102	109	216	824	670	1,494
Amortisation	39	688	-	38	765	49	814
Underlying adjusted EBITDA	**487**	**1,794**	**16**	**(2,649)**	**(352)**	**(1,036)**	**(1,388)**

Comparative audited segment analysis for the twelve months ended 31 Mar 2018 is:

	Cake Decoration	Food Ingredients	Premium Bakery	Head Office	Continuing Operations	Discontinued Operations	Total Group
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Total Revenue	**55,227**	**16,095**	**2,395**	**9**	**73,726**	**68,641**	**142,367**
Intercompany Sales	(7,544)	-	-	-	(7,544)	(4,697)	(12,241)
External Revenue	**47,683**	**16,095**	**2,395**	**9**	**66,182**	**63,944**	**130,126**
Cost of sales	(33,745)	(11,876)	(1,854)	(263)	(47,738)	(57,900)	(105,638)
Gross Profit	**13,938**	**4,219**	**541**	**(254)**	**18,444**	**6,044**	**24,488**
Distribution expenses	(2,906)	(317)	(161)	-	(3,384)	(2,126)	(5,510)
Administrative expenses	(10,936)	(1,842)	(627)	(5,385)	(18,790)	(8,801)	(27,591)
Significant items and impairments	(1,060)	(5)	(104)	(2,943)	(4,112)	(11,867)	(15,979)
Operating profit/(loss)	**(964)**	**2,055**	**(351)**	**(8,582)**	**(7,842)**	**(16,750)**	**(24,592)**
Finance costs	(214)	-	-	(1,210)	(1,424)	(332)	(1,756)
Other finance costs	-	-	-	(164)	(164)	-	(164)
Profit/(loss) before tax	**(1,178)**	**2,055**	**(351)**	**(9,956)**	**(9,430)**	**(17,082)**	**(26,512)**
Income tax expense/(credit)	1,364	185	-	(936)	613	(666)	(53)
Net profit/(loss)	**186**	**2,240**	**(351)**	**(10,892)**	**(8,817)**	**(17,748)**	**(26,565)**

Reconciliation of operating profit/(loss) to underlying adjusted EBITDA	Cake Decoration	Food Ingredients	Premium Bakery	Head Office	Continuing Operations	Discontinued Operations	Total Group
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Operating profit/(loss)	**(964)**	**2,055**	**(351)**	**(8,582)**	**(7,842)**	**(16,750)**	**(24,592)**
Significant items and impairments	1,060	5	104	2,943	4,112	11,867	15,979
Depreciation	797	209	49	425	1,480	1,449	2,929

Amortisation	276	1,404	170	57	1,907	367	2,274
Underlying adjusted EBITDA	**1,169**	**3,673**	**(28)**	**(5,157)**	**(343)**	**(3,067)**	**(3,410)**

3. Prior period restatement

The 31 March 2018 audit of the financial statements highlighted some errors within the acquisition accounting of Brighter Foods reported at 30 September 2017. In order to provide accurate comparisons within these interim statements, these errors have been corrected. The details of the restatements are provided below. The Annual Report and accounts for the year ended 31 March 2018 reflected the corrected treatment adopted here.

Long-term liability - Put option

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

The present value of the amount payable (£4.8 million), in the event of the exercise of the non-controlling interest put option, should have been recognised within long-term liabilities and equity. The restated balances are as follows:

	As previously reported	**Adjustment**	**Restated**
	30 Sept 2017 £000's	**30 Sept 2017 £000's**	**30 Sept 2017 £000's**
NON-CURRENT LIABILITIES			
Long-term liabilities - NCI put option	-	4,796	4,796
EQUITY			
Other reserve	-	(4,796)	(4,796)

Intangible asset – Customer relationships

The goodwill recognised within the acquisition accounting at 30 September 2017 has been recalculated, as the identifiable intangible assets on acquisition should have been allocated a value. This intangible asset also attracted a deferred tax liability. Through the creation of the intangible asset, and the resulting deferred tax liability, the net assets of the entity were amended which, in turn, generated a revision in the non-controlling interest. There should have been 6 months' amortisation on the intangible asset booked by 30 September 2017. The restated balances are as follows:

	As previously reported	**Adjustment to cost**	**Amortisation**	**Restated**
	30 Sept 2017 £000's	**30 Sept 2017 £000's**	**30 Sept 2017 £000's**	**30 Sept 2017 £000's**
NON-CURRENT ASSETS				
Goodwill	75,564	(2,900)		72,664
Intangible assets	1,133	4,128	(688)	4,573
NON-CURRENT LIABILITIES				
Deferred tax	1,736	588		2,324
EQUITY				
Non-controlling interest	922	523		1,445
P&L				
Admin expenses	(8,861)		(688)	(9,549)
Loss after tax	(3,011)	117	(688)	(3,582)

Other Adjustments

A further review of the acquired balance sheet highlighted the below adjustments in the fair value of net assets, which have also been restated:

	As previously reported	Adjustment	Restated
	30 Sept 2017 £000's	30 Sept 2017 £000's	30 Sept 2017 £000's
NON-CURRENT ASSETS			
Goodwill	72,664	59	72,723
CURRENT ASSETS			
Trade & other receivables	19,890	(94)	19,796
CURRENT LIABILITIES			
Trade & other payables	21,054	(18)	21,036
Current tax liability	28	(17)	11

Segmental Analysis – Head Office cost reallocation

In line with the Group strategy of allowing each business to understand its true cost base as a stand-alone business, during the 6 months ended September 2018, Head Office costs of £0.8 million have been re-allocated to the Cake Decoration division. In order to provide clear and consistent comparisons, the 6 months ended 30 September 2017 and 12 months ended 31 March 2018 have been restated. The restatement is reflected within note 2.

	As previously reported	Adjustment	Restated
	30 Sept 2017 £000's	30 Sept 2017 £000's	30 Sept 2017 £000's
Cake Decoration			
Underlying adjusted EBITDA	1,317	(830)	487
Profit/(loss) before tax	771	(830)	(59)
Head Office			
Underlying adjusted EBITDA	(3,479)	830	(2,649)
Loss before tax	(5,119)	830	(4,289)

	As previously reported	Adjustment	Restated
	31 Mar 2018 £000's	31 Mar 2018 £000's	31 Mar 2018 £000's
Cake Decoration			
Underlying adjusted EBITDA	2,597	(1,428)	1,169
Profit/(loss) before tax	250	(1,428)	(1,178)
Head Office			
Underlying adjusted EBITDA	(6,585)	1,428	(5,157)
Loss before tax	(11,384)	1,428	(9,956)

4. Earnings per ordinary share

Basic earnings per share

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

	unaudited 6 months ended 30 Sept 2018	unaudited *(restated) 6 months ended 30 Sept 2017	audited ** (restated) 12 months ended 31 Mar 2018
Loss after tax attributable to ordinary shareholders (£'000s)	**(12,686)**	**(7,636)**	**(27,099)**
Continuing	(9,296)	(3,758)	(9,351)
Discontinued	(3,390)	(3,878)	(17,748)
Weighted average number of shares in issue for basic EPS ('000s)	**86,628**	**73,883**	**76,179**

Employee share options & CLNs ('000s)	**130,079**	**3,723**	**1,790**
Weighted average number of shares in issue for diluted EPS ('000s)	**216,707**	**77,606**	**77,969**
Basic and diluted loss per share	**(14.64)p**	**(10.34)p**	**(35.58)p**
Continuing basic and diluted loss per share	**(10.73)p**	**(5.09)p**	**(12.28)p**
Discontinued basic and diluted loss per share	**(3.91)p**	**(5.25)p**	**(23.30)p**

* 30 Sept 2017 is restated for the acquisition accounting of Brighter Foods Ltd (see note 3).

** Earnings per share for the year ended 31 March 2018 has been restated to reflect the change in continuing and discontinued operations that have occurred in the current period. It has also been restated for a prior period adjustment to remove the effect of non-controlling interests, which were included in the figures to 31/03/2018 in error.

At 30 September 2018, the weighted average number of shares in issue was 86,627,945 and the number of options outstanding was 239,192,494 (including CLNs). If these were all exercised the cash raised would be equivalent to that which would be raised by issuing 130,078,773 shares at the average share price for this period. The difference between these figures is the weighted average number of dilutive potential ordinary shares of 216,706,717.

Diluted earnings per share

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

5. Dividends

The Directors are not recommending an interim dividend (2017: nil).

6. Taxation

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

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

7. Pension arrangements

The Group operates a defined contribution scheme for all employees, including provision to comply with auto-enrolment requirements laid down by law.

In addition, the Group operates one defined benefit scheme, the Napier Brown Retirement Benefits Scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The contributions made by the employer over the six-month period have been £173,058 (2017: £366,000).

Assumptions

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

	unaudited	**unaudited**	**audited**
	30 Sept 2018	**30 Sept 2017**	**31 Mar 2018**
	% per annum	**% per annum**	**% per annum**
Rate of increase in pension payment	3.10	3.00	3.00
Discount rate	2.85	2.85	2.65
Inflation assumption	3.20	3.10	3.10
Revaluation rate for deferred pensions	2.20	2.10	2.10

Scheme deficit

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

	unaudited 30 Sept 2018 £'000s	unaudited 30 Sept 2017 £'000s	audited 31 Mar 2018 £'000s
Total fair value of assets	13,562	13,870	13,529
Present value of scheme liabilities	(19,339)	(19,568)	(19,969)
(Deficit) in the scheme	**(5,777)**	**(5,698)**	**(6,440)**

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

8. Significant Items and Impairments

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

	unaudited 6 months ended 30 Sept 2018 £000's	unaudited 6 months ended 30 Sept 2017 £000's	audited 12 months ended 31 Mar 2018 £000's
Goodwill and fixed asset impairments	(6,281)	(1,724)	(10,494)
Investigation works	-	-	(1,207)
Corporate governance & professional advisors	-	(639)	-
Acquisition costs	-	(369)	(311)
Commercial disputes	-	-	(355)
Capital projects	-	(253)	(885)
Legal costs for finance restructuring	(172)	-	-
Professional fees in relation to financing	(171)	-	(553)
Management restructuring	(78)	-	(1,254)
Asset write off	-	-	(920)
Total Significant Items and Impairments	**(6,702)**	**(2,985)**	**(15,979)**
Continuing operations	(6,663)	(1,009)	(4,112)
Discontinued operations	(39)	(1,976)	(11,867)

9. Borrowings

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

	unaudited 30 Sept 2018 £000's	unaudited 30 Sept 2017 £000's	audited 31 Mar 2018 £000's
Revolving credit facility	3,774	10,918	8,669
Investor loans	23,981	14,054	21,398
Investor loans - cash collateral	2,000	2,000	2,000
Convertible loan notes	8,418	-	-
Asset finance	1,937	7,012	6,406
Government grants	303	352	327

Term loan	-	2,250	1,750
Total Borrowings	**40,413**	**36,586**	**40,550**
Amount due for settlement within 12 months	4,417	13,999	24,160
Amount due for settlement after 12 months	35,996	22,587	16,390

Convertible Loan Notes

In May 2018 the Company secured further funding from each of its major shareholders totalling £8.5 million. Napier Brown and Omnicane each providing £3.3 million and Downing provided £1.9 million. This instrument has since, with shareholder approval, been replaced with convertible loan notes 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 instrument accrues interest at a rate of 12 percent per annum accruing daily and will mature and be due for repayment in full on 17 May 2021, unless they are redeemed before that date. On that date, unless the convertible loan notes are converted into ordinary shares on the conversion date, a redemption premium fee will be payable. The redemption fee will be an amount which, when added to the interest accrued on the relevant notes, provides a total return equal to the amount which would have accrued in respect of such notes from the date of the convertible loan note instrument until and including the date the notes are redeemed in full had the interest rate been 30 percent per annum.

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

Investor Loans

The terms of the investor loans were amended with all loans, other than the Convertible Loan Notes, accruing interest at a rate of 10%, repayable with the principal amount on 30 June 2020. A small amount of quarterly interest continues to be repaid to Downing LLP.

Bank Lending

Following the sale of Garrett Ingredients Ltd and Haydens Bakery Ltd, the invoice discounting facility was reduced from £20 million to £10 million. The Group fully repaid the bank term loan and the asset financing in relation to Haydens Bakery has also been fully repaid.

The overdraft facility with Lloyds Banking Group of up to £2.0 million, with two major shareholders (Napier Brown Holdings and Omnicane Ltd) each putting £1.0 million into an account as security, remains in place.

10. **Goodwill**

A full goodwill impairment exercise was undertaken.

Each cash generating unit was assessed for its recoverable amount based upon the higher of fair value less costs of disposal, and value-in-use calculations. The cashflows used in the value-in-use calculation are EBITDA (adjusted) less capital expenditure based upon the latest Board approved forecasts in respect of the following three years. The discount rate applied is 10.0% (Mar 18: 11.0%) based on the market calculated weighted average cost of capital for similar companies. The long-term growth assumptions reflect a 3-year period with a terminal value applied to the third year. The impairment review resulted in an impairment of the goodwill held for Cake Decoration of £6.3 million. Cake Decoration is a core division for the Group and is currently in turnaround. The investments made in manufacturing capability in the last couple of years have not yet started to deliver the returns that could be expected, 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 3-year planned EBITDA in Cake Decorations are shown below:

- An increase of 0.5% in the Weighted Cost of Capital of 10.0% to 10.5% would cause an impairment of £3.9 million on the carrying value of goodwill.
- Applying a 5% reduction to the planned EBITDA in FY 20 and FY 21 would cause an impairment of £3.3 million.

Following the sale of the trade and assets of Garrett Ingredients Ltd, the £0.9 million goodwill held in relation to this CGU has been impaired, as the renamed entity Real Good Food Ingredients Ltd, is no longer a cash generating unit.

The goodwill related to Brighter Foods Ltd has been restated at 30 September 2017 for the customer relationship and the associated deferred tax liability (see note 3).

	unaudited 30 Sept 2018 £000's	unaudited 30 Sept 2017* £000's	audited 31 Mar 2018 £000's
Total Goodwill	**62,769**	**72,723**	**69,955**

* 30 Sept 2017 has had some restated balances in relation to the acquisition accounting of Brighter Foods Ltd (see note 3).

11. Discontinued Operations

Garrett Ingredients Ltd

On 23 April 2018, a sale of trade and assets was completed for Garrett Ingredients Ltd. This was consistent with the Group's strategy and allows it to focus on its remaining businesses. The results of the sale of assets are shown below. The company name of Garrett Ingredients Ltd was included within the terms of the sale, and subsequently the remaining entity was renamed Real Good Food Ingredients Ltd. This company is no longer trading.

The post-tax profit on sale of assets within the discontinued operation follows:

	£000's
Cash consideration received	1,861
Cash disposed of	-
Net cash inflow on disposal of discontinued operation	1,861
Net assets disposed of (other than cash)	
Property, plant and equipment	(1)
Intangibles	(18)
Inventories	(617)
Other	(111)
	(747)
Goodwill Impairment	(905)
Disposal costs	(87)
Net profit on disposal of Garrett Ingredients Ltd	**122**

The result of the discontinued business contained within these accounts is:

	6 months ended 30 Sept 2018 £000's
Total Revenue	**1,286**
Intercompany Sales	180
External Revenue	**1,106**
Cost of sales	(804)
Gross Profit	**302**
Distribution expenses	(111)
Administrative expenses	(222)

Profit on disposal	122
Significant items	4
Operating profit	**95**
Profit before tax	**95**
Tax	-
Profit after tax	**95**

The statement of cashflows includes the following amounts in relation to Garrett Ingredients Ltd:

	6 months ended 30 Sept 2018 £000's
Operating activities	259
Investing activities	1,865
Financing activities	(1,973)
Net cash from discontinued operations	151

Haydens Bakery Ltd

On 6 September 2018, the Group sold Haydens Bakery Ltd to Bakkavor Group plc for a cash consideration of £12.0 million. The results of the sale are shown below.

	£000's
Cash consideration received	12,000
Cash disposed of	(519)
Net cash inflow on disposal of discontinued operation	11,481
Net assets disposed of (other than cash)	
Property, plant and equipment	(10,944)
Intangibles	(51)
Inventories	(1,440)
Trade and other receivables	(4,107)
Trade and other payables	4,232
	(12,310)
Net working capital adjustment - completion accounts	(668)
Disposal costs	(631)
Loss on disposal of Haydens Bakery Ltd	**(2,128)**

The result of the discontinued business contained within these accounts is:

	6 months ended 30 Sept 2018 £000's
Total Revenue	**13,584**
Intercompany Sales	-
External Revenue	**13,584**
Cost of sales	(12,154)
Gross Profit	**1,430**
Distribution expenses	(407)
Administrative expenses	(1,997)
Loss on disposal	(2,128)
Significant items	(43)
Operating loss	**(3,145)**
Finance costs	(79)
Net loss	**(3,224)**
Loss before tax	**(3,224)**
Tax	-

Loss after tax	**(3,224)**

The statement of cashflows includes the following amounts in relation to Haydens Bakery Ltd:

	6 months ended 30 Sept 2018 £000's
Operating activities	(10,786)
Investing activities	17,108
Financing activities	(5,666)
Net cash from discontinued operations	656

The loss per share from the discontinued operations are below (see note 4).

	30 Sept 2018 £000's	30 Sept 2017 £000's	31 Mar 2018 £000's
Basic and diluted loss per share	(3.91)p	(5.25)p	(23.30)p

12. Assets and liabilities classed as held for sale

The Board has publicly expressed the view that, for any business where value realisation for stakeholders of Real Good Food plc would be better achieved through disposal to a third party, it would consider favourably the possibility of a sale. Following a review of the prospects of R&W Scott Ltd, a subsidiary of the Group, substantial progress was made towards a sale of that company before 30 September 2018. The disposal of R&W Scott Ltd has been announced separately today.

As such, the following assets and liabilities of R&W Scott Ltd (part of the Food Ingredients sector) are classified as held for sale within the consolidated statement of financial position at 30 September 2018:

	£000's
Property, plant and equipment	4,079
Inventories	1,592
Trade and other receivables	2,166
Assets held for sale	**7,837**
Trade and other payables	1,207
Overdraft	85
Loans payable	2,551
Liabilities held for sale	**3,843**

The result of the business held for sale contained within these accounts is:

	6 months ended 30 Sept 2018 £000's
Total Revenue	**6,275**
Intercompany Sales	166
External Revenue	**6,109**
Cost of sales	(4,930)
Gross Profit	**1,179**
Distribution expenses	(372)

Administrative expenses	(1,047)
Operating loss	**(240)**
Finance costs	(21)
Loss before tax	**(261)**
Net loss	**(261)**

Within these financial statements and the subsequent notes, R&W Scott Ltd's results are shown within discontinued operations along with Garrett Ingredients Ltd, and Haydens Bakery Ltd.

On 19 December 2018, the sale of R&W Scott Ltd to its management team (MBO) was completed for consideration of £3.95 million, payable by means of a cash payment of £1.5 million, £0.5 million of which is deferred until 30 September 2019. The cash funds received were used to reduce the Group's indebtedness, settling the invoice discount facility and the lending secured on the assets of R&W Scott Ltd of £2.45 million.

13. Contingent liability

The Board is aware that the Company had breached certain AIM Rules prior to August 2017, since which time it has taken significant steps to improve Corporate Governance and Board independence and continues to make improvements. The sanctions available to AIM in relation to breaches of the AIM Rules can take a variety of forms. If it is finally determined by London Stock Exchange (LSE) that it should take sanctions against the Company, such sanctions may include a fine. As at 30 September 2018 there can be no certainty, however, as to whether LSE will impose sanctions against the Company and in what form they would do so. Consequently, the Directors have made no provision for any financial consequences at this time.