

RSM

Company Registration No. 06541251 (England and Wales)

DAVID WOOD BAKING LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 NOVEMBER 2017

WEDNESDAY



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22/08/2018
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DAVID WOOD BAKING LIMITED

COMPANY INFORMATION

Directors	Mr D A Wood Mrs K Wood
Secretary	Mrs K Wood
Company number	06541251
Registered office	1 Calverley Road Oulton Leeds LS26 8JD
Auditor	RSM UK Audit LLP Chartered Accountants Central Square 5th Floor 29 Wellington Street Leeds LS1 4DL

DAVID WOOD BAKING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 NOVEMBER 2017

The directors present the strategic report for the year ended 30 November 2017.

Fair review of the business

The company continues to invest in research and development (R&D). This has resulted in a number of updates to existing products. The directors regard R&D investment as necessary for continuing success in the medium to long term future by delivering sales growth through investment in organic growth drivers such as new product development and expansion in high growth markets.

As shown in the company's statement of comprehensive income, the company's sales have increased by 13% over the prior year due to new contract wins from within the existing client base, whilst the result after tax has reduced significantly from a profit last year of £1.4m to a loss this year of £0.1m. The gross profit margin is down 2.3% compared to the prior year, which has meant that gross profit has remained at £15.0m despite the growth in sales. A significant investment in the workforce throughout the business has led to an increase in administrative expenses of £1.2m.

The company continues to offset strong competitive action by enhancing margins wherever possible through a relentless drive for operational improvement across all our producing sites. The deterioration from last year can be identified closely to the performance of one particular site together with the early losses of a new site acquired in late August 2017. Action plans for an improved performance at all sites are in place and good progress is being made.

The statement of financial position shows that the company's financial position at the year end shows in net asset terms an increase from £5.6m to £6.3m. There has been a decrease in the cash at bank and in hand position of £0.2m. This is in part due to the increase in stock holding at the year end from £6.1m to £7.0m. The company manages its working capital and operations efficiently to ensure it stays within agreed facility levels. Net current liabilities at the year end have increased from £5.4m to £8.5m due to higher trade creditors and lower trade debtors. This is primarily due to large capital projects in the final quarter of the financial year and improved cash collection from customers.

The company has revalued two of its freehold properties in the year, which contributed a net revaluation gain of £0.9m to the statement of total comprehensive income and the statement of financial position.

Principal risks and uncertainties

Commercial risks include:

- Cost increases in raw materials or energy - where possible these are managed by means of longer term contracts or contracts with customers that provide a margin of profit over actual costs. The purchasing team focus on obtaining value for money on all materials acquired with a schedule of constant review of key materials acquired.
- Contracts can and have been lost due to competition from other suppliers into the markets we serve. The company sets margin targets based on cost assumptions for a site as well as capacity opportunities at each site but will not commit to contracts unless the margins are acceptable to it. The company manages this risk by providing added value services to its customers, having fast response times not only in supplying products but in handling all customer queries, and by maintaining strong relationships with customers.
- Poor results from food quality and hygiene audits, which could lead to loss of key contracts. The company manages this risk by investing in technical staff and implementing an appropriate strategy to ensure breaches are unlikely to occur. Several customers carry out regular audits of the sites and they receive positive results in this area.

The company is financed by a number of fixed and variable rate loans from its bankers and other funders. It therefore has an exposure to interest rate increases but at a level that does not give rise to any concern.

Currency Risk - As the company does little business outside the UK, currency risk is not a significant issue in risk management.

DAVID WOOD BAKING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2017

Fair value interest risk - The company does not hedge its interest rate risk.

Price Risk - The company uses a range of suppliers for each area of provision to ensure that market prices for purchases are achieved. Whenever possible the company uses short terms contracts with suppliers to manage its exposure to variation in market prices. In some cases, escalation clauses are contained within sales contracts.

Credit Risk - The company mainly trades with long standing customers. The nature of these relationships assist management in controlling its credit risk. The company credit insures and operates within these limits.

Liquidity Risk - Management control and monitor the company's cash flow on a regular basis, including forecasting future cash flows.

Key performance indicators

KPIs used to monitor the performance of the business include:

- Detailed weekly and monthly operating reports for each site highlighting continual improvements in site efficiencies and capacity utilisation. We monitor adherence to plans, customer service levels, variances to our production standard costs and stock levels.
- Health and safety - accidents, both reportable and other are measured and trend analysis used to monitor improvements.
- Food safety - regular site audits are conducted by our own internal teams as well as by customers and external auditors. We recognise that we have obligations to our customers and the consumers. The company holds BRC Global Standard for Food Safety Certification for each of its sites. All audit actions no matter how small are acted upon.

Future developments

The company continues to focus on improving capacity utilisation at each site as well as maximising site operational efficiency.

We will focus on developing customer relationships by selling more of our existing products to existing customers.

We will focus on engineering improvements at each site to reduce materials wasted and avoid additional employee recruitment as we grow.

This will deliver products at the very best value for money to its customers whilst achieving acceptable margins for the future benefit of the business.

The company will continue to make acquisitions that add complementary customers or products.

The business is considering future site rationalisation in 2018 to improve each site's capacity utilisation, operational efficiency and to ensure a return to profits.

On behalf of the board



Mr D A Wood

Director

Date: 22 May 2018

DAVID WOOD BAKING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 NOVEMBER 2017

The directors present their annual report and financial statements for the year ended 30 November 2017.

The financial statements are drawn up to the nearest Saturday to 30 November which falls on 2 December 2017 ("the financial year"). The comparative financial statements were prepared to 3 December 2016 ("the financial year").

Principal activities

The company's principal activities are the manufacture and sale of breads, confectionery items and savoury products such as frozen pies and readymade meals to the retail and food service industry in the UK and Ireland. There have not been any significant changes in the company's principal activities in the year under review. The directors are not aware, at the date of this report, of any likely major changes in the company's activities in the next year.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Mr D A Wood
Mrs K Wood

Results and dividends

The results for the year are set out on page 8.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Research and development

During the period the company incurred costs in relation to research and development amounting to £30,703 (2016 - £19,307). Costs have been expensed to the profit and loss account when incurred.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company is committed to equal opportunity in all employment practices, policies and procedures. This means that no employee or potential employee will receive less favourable treatment due to race, religion, nationality, age, sex, sexuality or disability.

All employees are trained for several roles, and encouraged to move up to a higher grade. Employees are kept informed about company matters through internal media and through managers.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

DAVID WOOD BAKING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2017

Matters of Strategic Importance

Certain information is not shown within the Directors' Report as it is instead included within the Strategic Report in accordance with section 414C(11) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board



Mr D A Wood
Director

Date: 22 May 2018

DAVID WOOD BAKING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 NOVEMBER 2017

The directors are responsible for preparing the Strategic Report and the Directors' 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 directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the 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 of the profit or loss of the company 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume 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's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAVID WOOD BAKING LIMITED

Opinion

We have audited the financial statements of David Wood Baking Limited for the year ended 30 November 2017 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 company 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, 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF DAVID WOOD BAKING LIMITED (CONTINUED)

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 5, 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 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 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's 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's 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.

RSM UK Audit LLP

Hugh Fairclough (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Central Square
5th Floor
29 Wellington Street
Leeds
LS1 4DL

23 May 2018

DAVID WOOD BAKING LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 NOVEMBER 2017

	Notes	2017 £	2016 £
Turnover	3	90,171,058	79,463,001
Cost of sales		(75,196,940)	(64,461,225)
Gross profit		14,974,118	15,001,776
Distribution costs		(5,485,201)	(4,835,507)
Administrative expenses		(9,338,429)	(8,117,281)
Other operating income		325,650	73,651
Operating profit	4	476,138	2,122,639
Interest receivable and similar income		-	3,492
Interest payable and similar expenses	8	(572,384)	(557,480)
Costs of a fundamental reorganisation or restructuring of existing operations	9	-	(98,420)
(Loss)/profit on ordinary activities before taxation		(96,246)	1,470,231
Taxation	10	215	(72,355)
(Loss)/profit for the financial year	24	(96,031)	1,397,876
Other comprehensive income net of taxation			
Revaluation of tangible fixed assets	12	1,026,741	-
Tax relating to other comprehensive income		(175,455)	-
Total comprehensive income for the year		755,255	1,397,876

DAVID WOOD BAKING LIMITED**STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2017**

	Notes	2017 £	£	2016 £	£
Fixed assets					
Negative goodwill	11		-	(442,358)	
Other intangible assets	11		-	-	
Total intangible assets			-	(442,358)	
Tangible assets	12	21,371,528		15,624,096	
		21,371,528		15,181,738	
Current assets					
Stocks	13	6,988,845		6,114,750	
Debtors	14	18,932,191		19,275,102	
Cash at bank and in hand		195,528		407,558	
		26,116,564		25,797,410	
Creditors: amounts falling due within one year	15	(34,572,439)		(31,201,010)	
Net current liabilities			(8,455,875)	(5,403,600)	
Total assets less current liabilities			12,915,653	9,778,138	
Creditors: amounts falling due after more than one year	16		(5,962,229)	(3,516,690)	
Provisions for liabilities	19		(385,106)	(374,735)	
Government grants	21		(232,970)	(306,620)	
Net assets			6,335,348	5,580,093	
Capital and reserves					
Called up share capital	23	5,000,000		5,000,000	
Revaluation reserve	24	851,286		-	
Profit and loss reserves	24	484,062		580,093	
Total equity			6,335,348	5,580,093	

The financial statements were approved by the board of directors and authorised for issue on 22 May 2018 and are signed on its behalf by:



Mr D A Wood
Director

DAVID WOOD BAKING LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 NOVEMBER 2017

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 6 December 2015	5,000,000	-	(817,783)	4,182,217
Year ended 30 November 2016:				
Profit and total comprehensive income for the year	-	-	1,397,876	1,397,876
Balance at 30 November 2016	5,000,000	-	580,093	5,580,093
Year ended 30 November 2017:				
Loss for the year	-	-	(96,031)	(96,031)
Other comprehensive income net of taxation:				
Revaluation of tangible fixed assets	-	1,026,741	-	1,026,741
Tax relating to other comprehensive income	-	(175,455)	-	(175,455)
Total comprehensive income for the year	-	851,286	(96,031)	755,255
Balance at 30 November 2017	5,000,000	851,286	484,062	6,335,348

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2017

1 Accounting policies

Company information

David Wood Baking Limited ("the company") is a private company limited by shares, and is registered, domiciled and incorporated in England and Wales. The registered office and principal place of business is 1 Calverley Road, Oulton, Leeds, LS26 8JD.

The company's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements are drawn up to the nearest Saturday to 30 November which falls on 2 December 2017 ("the financial year"). Comparative figures are for the year ended 3 December 2016.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties. The principal accounting policies adopted are set out below.

Reduced disclosures

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of David Wood Baking UK Limited. These consolidated financial statements are available from its registered office, 1 Calverley Road, Oulton, Leeds, LS26 8JD.

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2017

1 Accounting policies (Continued)

Going concern

The financial statements have been prepared on a going concern basis. The directors have considered how the company will meet the challenges presented by the current economic climate and have carried out a detailed review of the company's resources including the adequacy of working capital for the period through to November 2020. At the year end the company had net current liabilities of £8,455,875 (2016 - £5,403,600) and recorded a loss after taxation of £96,031 (2016 - profit of £1,397,876) for the year.

The review exercise incorporates site by site trading performance, cash expectations and balance sheet outcomes. The directors have used reasonable assumptions over the forecast period. The forecast shows the business returning to profitability and operating within bank covenants. Whilst the directors believe they have erred on the side of caution, the current economic conditions inevitably create uncertainty. The directors are of the view that the key areas of uncertainty within the forecast are over (a) the level of demand for the company's products, as little activity is supported by long term contracts and the business meets its day to day cash requirements through an invoice discounting facility; and (b) the ability to achieve the forecast reduction in stocks which comes about through limited site reorganisation of production.

The forecasts reflect the current trading conditions as well as initiatives to help return the company to profitability. Some of the initiatives are not yet in place but are scheduled to commence through the early part of these forecasts. Furthermore the directors have a number of additional actions which can be implemented should circumstances change adversely. These initiatives and actions enable the company to continue to meet its debts as they fall due.

The company is presently trading ahead of the forecast profitability.

The company has regular discussions through the financial year with its bankers about its future borrowing needs. The directors have had specific discussions on these forecasts and no matters have arisen to suggest that the company will not continue to be in compliance with its covenants.

As the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Other Income

Grant Income

Government grants relating to turnover are recognised as income over the periods when the related costs are incurred. Grants relating to an asset are recognised in income systematically over the asset's expected useful life. Grant income is recognised within other operating income.

Intangible fixed assets - goodwill

Negative goodwill arises when the cost of a business combination is less than the fair value of the identifiable assets, liabilities and contingent liabilities acquired. The amount up to the fair value of the non-monetary assets acquired is credited to profit or loss in the period in which those non-monetary assets are recovered. Negative goodwill in excess of the fair values of the non-monetary assets acquired is credited to profit or loss in the periods expected to be benefited, which the directors consider to be 40 months.

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2017

1 Accounting policies (Continued)

Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold buildings	2% on valuation
Leasehold land and buildings	2 - 10% on cost
Plant and machinery	10 - 50% on cost
Fixtures, fittings and equipment	10% on cost
Motor vehicles	25% on cost

Freehold land is not depreciated.

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to profit or loss.

Properties whose fair value can be measured reliably are held under the revaluation model and are carried at a revalued amount, being their fair value at the date of valuation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value of the land and buildings is usually considered to be their market value.

Revaluation gains and losses are recognised in other comprehensive income and accumulated in equity, except to the extent that a revaluation gain reverses a revaluation loss previously recognised in profit or loss or a revaluation loss exceeds the accumulated revaluation gains recognised in equity; such gains and losses are recognised in profit or loss.

Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2017

1 Accounting policies (Continued)

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include trade and other debtors, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each reporting year end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2017

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other creditors (including accruals), bank and other loans and amounts due to group undertakings, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Borrowings

Borrowings are initially recognised at the transaction price, including transaction costs, and subsequently measured at amortised cost using the effective interest method. Interest expense is recognised on the basis of the effective interest method and is included in interest payable and other similar expenses.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's contractual obligations are discharged, cancelled, or they expire.

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the reporting date. Deferred tax is measured on a non-discounted basis.

For non-depreciable assets measured using the revaluation model, deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2017

1 Accounting policies (Continued)

Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

Foreign exchange

Transactions in currencies other than the functional currency (foreign currency) are initially recorded at the exchange rate prevailing on the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies are translated at the rate ruling at the date of the transaction, or, if the asset or liability is measured at fair value, the rate when that fair value was determined.

All translation differences are taken to profit or loss, except to the extent that they relate to gains or losses on non-monetary items recognised in other comprehensive income, when the related translation gain or loss is also recognised in other comprehensive income.

Exceptional items

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the company and which individually, or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view.

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2017

1 Accounting policies (Continued)

Research and Development

Development expenditure is carried forward when its future recoverability can be foreseen with reasonable assurance and is amortised in line with sales from the related product. All research and development costs are written off as incurred.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Lease classification

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the company as lessee.

Property valuation

The company's freehold properties are held at fair value or cost less any subsequent accumulated depreciation. The directors are required to ensure that revaluations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the period end. In determining whether or not to perform a full valuation of the property portfolio, the directors have regard to current property conditions and they exercise their judgement in determining whether or not to perform a full valuation. The last such valuation was performed in May 2017, as disclosed in note 12.

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2017

2 Judgements and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Dilapidation Provision

The dilapidation provision has been estimated based upon consultations with an industry expert to reach the best estimate of the amounts payable. This takes into consideration the experience of that expert and present industry trends.

Useful economic lives of intangible and tangible assets

The annual amortisation charge for intangible assets and the depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 11 for the carrying amount of the intangible assets, note 12 for the carrying amount of the tangible assets, and note 1 for the useful economic lives for each class of assets.

Impairment of tangible fixed assets

Management conduct impairment tests where there is an indication of impairment of an asset. When reviewing the need for impairment, management considers external sources such as market value declines, increase in market interest rates and negative economic changes, as well as internal sources such as obsolescence or physical damage and the economic performance of the asset. See note 12 for the carrying amount of tangible fixed assets.

3 Turnover and other revenue

An analysis of the company's turnover is as follows:

	2017 £	2016 £
Turnover analysed by class of business		
Manufacture of breads, confectionary items and savoury products	90,171,058	79,463,001
	<hr/>	<hr/>
Turnover analysed by geographical market		
	2017 £	2016 £
United Kingdom	89,233,735	79,006,216
Rest of Europe	937,323	456,785
	<hr/>	<hr/>
	90,171,058	79,463,001
	<hr/>	<hr/>

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2017

4 Operating profit

	2017	2016
	£	£
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	(26,848)	(16,370)
Research and development costs	30,703	19,307
Government grants (note 21)	(73,650)	(73,651)
Depreciation of owned tangible fixed assets	2,000,637	1,719,770
Depreciation of tangible fixed assets held under finance leases	424,396	249,219
Release of negative goodwill	(442,358)	(399,505)
Cost of stocks recognised as an expense	41,169,002	34,908,513
Operating lease charges	607,858	594,564
Rent rebates	(252,000)	-

5 Auditor's remuneration

	2017	2016
	£	£
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the company's financial statements	34,500	29,000
For other services		
Taxation compliance services	3,000	4,500
Other taxation services	3,100	-
All other non-audit services	5,000	4,000
	11,100	8,500

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2017

6 Employees

The average monthly number of persons (including directors) employed by the company during the year was:

	2017 Number	2016 Number
Direct	1,098	757
Transport	62	51
Management	56	54
Technical and quality assurance	110	92
Administrative	65	53
	<u>1,391</u>	<u>1,007</u>

The prior year employee numbers disclosure previously presented 962, which has been amended above to correct a typographical error.

Their aggregate remuneration comprised:

	2017 £	2016 £
Wages and salaries	27,709,420	23,533,868
Social security costs	2,121,857	1,627,264
Pension costs	237,386	193,622
	<u>30,068,663</u>	<u>25,354,754</u>

7 Directors' remuneration

	2017 £	2016 £
Remuneration for qualifying services	<u>18,813</u>	<u>19,752</u>

8 Interest payable and similar expenses

	2017 £	2016 £
Interest on bank overdrafts and loans	85,478	117,364
Other interest on financial liabilities	22,804	34,557
Interest on finance leases and hire purchase contracts	130,728	75,081
Interest on other loans	333,374	330,478
	<u>572,384</u>	<u>557,480</u>

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2017

9 Exceptional items

	2017 £	2016 £
Exceptional - cost of a fundamental reorganisation or restructuring	-	98,420

Restructuring costs relate to redundancy, dilapidations and relocation expenses incurred in the amalgamation of the old Dudley and old Park Royal operations into one combined site.

10 Taxation

	2017 £	2016 £
Current tax		
UK corporation tax on profits for the current period	85,052	-
Adjustments in respect of prior periods	79,817	-
Total current tax	164,869	-
Deferred tax		
Origination and reversal of timing differences	(83,616)	224,797
Changes in tax rates	-	(5,852)
Adjustment in respect of prior periods	(81,468)	(146,590)
Total deferred tax	(165,084)	72,355
Total tax charge	(215)	72,355

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2017

10 Taxation (Continued)

Reductions to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2015 on 26 October 2015 and the Finance Bill 2016 on 6 September 2016. These reduce the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020. The deferred tax assets and liabilities reflect these rates.

The total tax (credit)/charge for the year included in the income statement can be reconciled to the (loss)/profit before tax multiplied by the standard rate of tax as follows:

	2017 £	2016 £
(Loss)/profit before taxation	(96,246)	1,470,231
Expected tax charge based on the standard rate of corporation tax in the UK of 19.33% (2016: 20.00%)	(18,604)	294,046
Tax effect of expenses that are not deductible in determining taxable profit	24,214	45,379
Tax effect of income not taxable in determining taxable profit	-	(79,901)
Adjustments in respect of prior years	79,817	-
Effect of change in corporation tax rate	(4,174)	(40,579)
Deferred tax adjustments in respect of prior years	(81,468)	(146,590)
Tax expense/(income) for the year	(215)	72,355

In addition to the amount (credited)/charged to profit or loss, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2017 £	2016 £
Deferred tax arising on:		
Revaluation of property	175,455	-

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2017

11 Intangible fixed assets

	Negative goodwill £	Patents £	Total £
Cost			
At 1 December 2016 and 30 November 2017	(1,464,110)	5,000	(1,459,110)
Amortisation and impairment			
At 1 December 2016	(1,021,752)	5,000	(1,016,752)
Amortisation charged for the year	(442,358)	-	(442,358)
At 30 November 2017	(1,464,110)	5,000	(1,459,110)
Carrying amount			
At 30 November 2017	-	-	-
At 30 November 2016	(442,358)	-	(442,358)

Negative goodwill arose on the acquisition in July 2014 of the trade and assets at the Flint site at a discount. These assets were restated to fair value as part of the accounting for a business combination. Amortisation is released in line with the annual amortisation charge on these revalued assets.

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

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2017

12 Tangible fixed assets

	Freehold land and buildings £	Leasehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost or valuation						
At 1 December 2016	3,162,800	2,006,272	16,793,529	1,936,310	552,707	24,451,618
Additions	-	281,017	6,192,079	584,171	88,457	7,145,724
Revaluation	837,200	-	-	-	-	837,200
At 30 November 2017	4,000,000	2,287,289	22,985,608	2,520,481	641,164	32,434,542
Depreciation and impairment						
At 1 December 2016	126,285	269,665	6,984,088	1,120,034	327,450	8,827,522
Depreciation charged in the year	63,256	76,909	1,887,852	269,641	127,375	2,425,033
Revaluation	(189,541)	-	-	-	-	(189,541)
At 30 November 2017	-	346,574	8,871,940	1,389,675	454,825	11,063,014
Carrying amount						
At 30 November 2017	4,000,000	1,940,715	14,113,668	1,130,806	186,339	21,371,528
At 30 November 2016	3,036,515	1,736,607	9,809,441	816,276	225,257	15,624,096

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2017

12 Tangible fixed assets (Continued)

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases or hire purchase contracts:

	2017 £	2016 £
Plant and machinery	4,300,352	1,298,726
Motor vehicles	161,058	198,021
	<u>4,461,410</u>	<u>1,496,747</u>
Depreciation charge for the year in respect of leased assets	<u>424,396</u>	<u>249,219</u>

During the year, the company concluded refinancing of its activities with new bank facilities. As part of this refinancing, the banks appointed an external valuer to undertake a valuation of the company's freehold land and buildings for security purposes. The valuation was undertaken on the basis of market value as existing with the benefit of vacant possession. The valuation conforms to International Valuation Standards and was based on recent market transactions on arm's length terms for similar properties. The directors have considered the valuation undertaken by an external independent valuer and adopted by the banks for loan security purposes, and determined that this valuation provides a reasonable approximation of the fair value of the freehold land and buildings at the date of valuation. Consequently, the company has revalued land and buildings with a carrying amount of £2,973,541 to £4,000,000 on 3 May 2017

If revalued assets were stated on an historical cost basis rather than a fair value basis, the total amounts included would have been as follows:

	2017 £	2016 £
Cost	3,162,800	3,162,800
Accumulated depreciation	189,541	126,285
Carrying value	<u>2,973,259</u>	<u>3,036,515</u>

Computer equipment is presented within plant and machinery.

13 Stocks

	2017 £	2016 £
Raw materials and consumables	3,701,065	3,200,355
Finished goods and goods for resale	3,287,780	2,914,395
	<u>6,988,845</u>	<u>6,114,750</u>

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2017

14 Debtors

	2017	2016
	£	£
Amounts falling due within one year:		
Trade debtors	16,530,422	17,633,863
Corporation tax recoverable	354,948	-
Other debtors	1,022,875	1,039,496
Prepayments and accrued income	1,023,946	601,743
	<u>18,932,191</u>	<u>19,275,102</u>

15 Creditors: amounts falling due within one year

	Notes	2017	2016
		£	£
Bank loans	17	895,408	623,500
Obligations under finance leases	18	697,933	452,296
Other borrowings	17	13,978,355	14,531,717
Trade creditors		13,885,690	10,689,228
Amounts due to group undertakings		42,404	42,404
Other taxation and social security		640,351	535,637
Other creditors		1,991,966	1,166,803
Accruals and deferred income		2,440,332	3,159,425
		<u>34,572,439</u>	<u>31,201,010</u>

16 Creditors: amounts falling due after more than one year

	Notes	2017	2016
		£	£
Bank loans	17	3,624,467	2,320,083
Obligations under finance leases	18	1,741,045	492,436
Other borrowings	17	596,717	704,171
		<u>5,962,229</u>	<u>3,516,690</u>

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2017

17 Borrowings

	2017 £	2016 £
Bank loans	4,519,875	2,943,583
Other loans	14,575,072	15,235,888
	<u>19,094,947</u>	<u>18,179,471</u>
Payable within one year	14,873,763	15,155,217
Payable after one year	<u>4,221,184</u>	<u>3,024,254</u>

Bank loans of £4,519,875 (2016 - £2,943,583) and an invoice discount facility of £13,779,449 (2016 - £14,341,660), which is included within other loans, are secured by a debenture over the company's trade debtors, goodwill and chattels. The directors, Mr D A Wood and Mrs K Wood, have given personal guarantees and a charge over their residential property.

Bank loans comprise of mortgage loans of £2,593,601 (2016 - £1,743,750) and asset loans of £1,926,274 (2016 - £1,199,833).

The company has one mortgage loan, which incurs interest of 2.75% over Bank of England base rate and is repayable in monthly repayments of £25,594 for five years and one final repayment of the outstanding balance in August 2022.

Asset loans of £549,000 and £580,000 incur interest of 2.94% over HSBC Bank Plc base rate. The loans are repayable in equal monthly repayments of £12,147 and £11,142 respectively. The loans will be repaid in full by May 2022 and September 2022 respectively.

Asset loans of £797,274 incur interest of 3% over Bank of England base rate. The loans are repayable in equal quarterly repayments of £105,250. The loans will be repaid in full by October 2019.

Included within other loans are pension scheme loans of £795,623 (2016 - £894,228). Pension scheme loans incur interest ranging from 3-4% and are secured against the assets of the company. The loans are repayable in equal annual repayments of between £61,278 and £111,663. The loans will be repaid in full by March 2022.

18 Finance lease obligations

	2017 £	2016 £
Future minimum lease payments due under finance leases:		
Less than one year	697,933	452,296
Between one and five years	<u>1,741,045</u>	<u>492,436</u>
	<u>2,438,978</u>	<u>944,732</u>

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2017

18 Finance lease obligations (Continued)

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Obligations under finance leases are secured against the assets to which they relate. The average interest charged on finance lease agreements is 4%.

19 Provisions for liabilities

	Note	2017 £	2016 £
Deferred tax liabilities	20	385,106	374,735
		<u>385,106</u>	<u>374,735</u>

20 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2017 £	Liabilities 2016 £
Balances:		
Accelerated capital allowances	745,308	524,022
Tax losses	(632,187)	(423,683)
Other short term timing differences	(3,428)	(4,786)
R&D expenditure credit set off amount	(164,811)	-
Fair value uplift	440,224	279,182
	<u>385,106</u>	<u>374,735</u>
		2017 £
Movements in the year:		
Liability at 1 December 2016		374,735
Credit to profit or loss		(165,084)
Charge to other comprehensive income		175,455
Liability at 30 November 2017		<u>385,106</u>

The deferred tax liability set out above in relation to fair value uplifts is expected to reverse in line with movements in negative goodwill and relates to uplifts in values of the property arising on accounting for a business combination.

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2017

21 Government grants

Government grants relate to grants from the respective councils in relation to the Bolton and Dudley sites. When these sites were purchased the government allowed grants against capital spend. The main conditions attached to the grants were that the money be spent on capital items and the headcount at the sites largely maintained. The grants are being released against the equipment that they relate to over the expected useful life of the assets.

The balance brought forward was £306,620 with £73,650 being released to the profit and loss during the period, resulting in a balance to be carried forward of £232,970.

22 Retirement benefit schemes

	2017 £	2016 £
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	237,386	193,622

The company operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the company in an independently administered fund.

Creditors includes amounts of £45,364 (2016 - £53,174) in respect of outstanding pension contributions.

There is a separate scheme for the directors called the David Wood Pension Scheme. The amounts noted above are separate to that pension scheme.

23 Share capital

	2017 £	2016 £
Ordinary share capital		
Issued and fully paid		
5,000,000 Ordinary shares of £1 each	5,000,000	5,000,000
	<u>5,000,000</u>	<u>5,000,000</u>

Ordinary share rights

The Ordinary shares of £1 each carry full voting rights, full rights to participate in dividends and full rights to participate in capital on winding up. No options exist in respect of redemption of the shares.

24 Reserves

Revaluation reserve

The cumulative revaluation gains and losses in respect of land and buildings, except revaluation gains and losses recognised in profit or loss.

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2017

25 Operating lease commitments

Lessee

At the reporting end date the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017 £	2016 £
Within one year	529,000	429,329
Between two and five years	1,587,556	1,250,474
In over five years	235,342	458,342
	<u>2,351,898</u>	<u>2,138,145</u>

26 Financial commitments, guarantees and contingent liabilities

There is a pre-emption right included within a key customer contract. In the event that David Wood Baking Limited want to sell the Flint site, acquired in July 2014, the customer has the right to acquire the site back for £900,000. This right expires on 2 July 2018.

A £400,000 early termination clause also exists, if terminated within 4 years from 1 July 2014.

The bank holds a composite company limited multilateral guarantee dated 26 August 2014 between David Wood Baking Limited, David Wood Baking UK Limited and Peter Hunt's Bakery Limited.

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2017

27 Related party transactions

Mr D A Wood is a trustee and member of the David Wood Pension Scheme.

During the period the company paid rent of £251,220 (2016 - £160,200) on premises owned by the David Wood Pension Scheme and received rent rebates of £252,000 (2016 - £nil). Other creditors include an amount of £795,623 (2016 - £894,228) (split £198,906 (2016 - £190,057) due within one year and £596,717 (2016 - £704,171) due after one year) in respect of a loan from the David Wood Pension Scheme.

During the period the company paid rent of £161,780 (2016 - £150,800) on premises jointly owned by Mr D A and Mrs K Wood. The rental agreement includes an interest charge of 4% per annum on outstanding payments, however this interest has been waived by the directors.

The company also provided a guarantee over borrowings taken out by the directors for a property they own personally, but which is occupied and used by the company. This amounted to £1,956,966 (2016 - £1,495,994) at the period end date.

Included in creditors is £1,237,064 (2016 - £760,458) owed to Mr D A Wood. Interest is charged at rates ranging from 2.91% - 5.38% on this balance and £23,912 (2016 - £34,557) was charged during the period. The loan is unsecured and net advancements of £476,606 (2016 - net repayments of £259,426) were made during the year.

During the year the company made advances of £nil (2016 - £210,938) to Mrs K Wood. Interest is received at rates ranging from 2.91% - 5.38% on this balance and £nil (2016 - £3,492) was received during the year. The loan was unsecured and was transferred against the amounts owed to Mr D A Wood during the prior year.

28 Controlling party

The company is a wholly owned subsidiary of David Wood Baking UK Limited. David Wood Baking UK Limited is under the control of Mr D A Wood, the ultimate controlling party by virtue of his majority shareholding.

The smallest and largest group for which consolidated financial statements are prepared is David Wood Baking UK Limited. The consolidated accounts of David Wood Baking UK Limited are available from its registered office, 1 Calverley Road, Oulton, Leeds, LS26 8JD.