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Company Registration No. 06541251 (England and Wales)

DAVID WOOD BAKING LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 NOVEMBER 2018

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 2018

The directors present the strategic report for the year ended 30 November 2018.

Fair review of the business
The company continues to invest in research and development. This has resulted in a number of updates to existing products. The directors regard research and development 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 on page 8, the company's sales have increased by 9% over the prior year and operating profit has improved. 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 slight improvement from last year is attributable to better labour efficiencies which have more than offset against the drop in other operating income in the form of rent rebates. Action plans for improved performance at all sites are in place and good progress is being made.

The statement of financial position on page 9 of the financial statements shows that the company's financial position at the year end is, in both net assets and cash terms, improved. Net current liabilities have increased due to a reduction in working capital. However cash balances have increased. The company manages its working capital and operations efficiently to generate strong cash-flows.

The company will continue to look at potential acquisitions that add complementary customers or products. The key focus for management is to fill capacity at each site to maximise operational efficiencies.

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 in 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.

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.

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
Key performance indicators 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.

On behalf of the board

David Wood
....
Mr D A Wood
Director
Date: 22nd March 2019

DAVID WOOD BAKING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 NOVEMBER 2018

The directors present their annual report and financial statements for the year ended 30 November 2018.

The financial statements are drawn up to the nearest Saturday to 30 November which falls on 1 December 2018 ("the financial year"). The comparative financial statements were prepared to 2 December 2017 ("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 (including wages) amounting to £4,334,175 (2017 - £4,038,846). 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 auditor in the absence of an Annual General Meeting.

DAVID WOOD BAKING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2018

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. It has done so in respect of future developments and financial risk management.

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

David Wood
....
Mr D A Wood
Director

Date: 22nd March 2019

DAVID WOOD BAKING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 NOVEMBER 2018

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 application 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 2018 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 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor'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
27 March 2019

DAVID WOOD BAKING LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 NOVEMBER 2018

	Notes	2018 £	2017 £
Turnover	3	98,006,845	90,171,058
Cost of sales		(80,831,122)	(75,196,940)
Gross profit		17,175,723	14,974,118
Distribution costs		(5,937,744)	(5,485,201)
Administrative expenses		(10,209,809)	(9,338,429)
Other operating income		73,650	325,650
Operating profit	6	1,101,820	476,138
Interest payable and similar expenses	8	(689,933)	(572,384)
Profit/(loss) on ordinary activities before taxation		411,887	(96,246)
Taxation	9	(176,991)	215
Profit/(loss) for the financial year	23	234,896	(96,031)
Other comprehensive income net of taxation			
Revaluation of tangible fixed assets	11	-	1,026,741
Tax relating to other comprehensive income		-	(175,455)
Total comprehensive income for the year		234,896	755,255

Company Registration No. 06541251

DAVID WOOD BAKING LIMITED

STATEMENT OF FINANCIAL POSITION
AS AT 30 NOVEMBER 2018

	Notes	2018 £	2018 £	2017 £	2017 £
Fixed assets					
Negative goodwill	10		-		-
Intangible assets	10		-		-
Total intangible assets			-		-
Tangible assets	11		22,513,661		21,371,528
			22,513,661		21,371,528
Current assets					
Stocks	12	6,015,100		6,988,845	
Debtors	13	17,398,572		18,932,191	
Cash at bank and in hand		563,784		195,528	
		23,977,456		26,116,564	
Creditors: amounts falling due within one year	14	(33,978,708)		(34,572,439)	
Net current liabilities			(10,001,252)		(8,455,875)
Total assets less current liabilities			12,512,409		12,915,653
Creditors: amounts falling due after more than one year	15		(5,050,565)		(5,962,229)
Provisions for liabilities	18		(732,280)		(385,106)
Government grants	20		(159,320)		(232,970)
Net assets			6,570,244		6,335,348
Capital and reserves					
Called up share capital	22		5,000,000		5,000,000
Revaluation reserve	23		834,542		851,286
Profit and loss reserves	23		735,702		484,062
Total equity			6,570,244		6,335,348

The financial statements were approved by the board of directors and authorised for issue on 12 March 2019 and are signed on its behalf by:

David Wood

Mr D A Wood
Director

DAVID WOOD BAKING LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 NOVEMBER 2018

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£
Balance at 1 December 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
Year ended 30 November 2018:				
Profit and total comprehensive income for the year	-	-	234,896	234,896
Transfers	-	(16,744)	16,744	-
Balance at 30 November 2018	5,000,000	834,542	735,702	6,570,244

1 Accounting policies

Company information

David Wood Baking Limited ("the company") is a private company limited by shares, and is registered 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 1 December 2018 ("the financial year"). Comparative figures are for the year ended 2 December 2017.

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.

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 £10,001,252 (2017 - £8,455,875) and recorded a profit after taxation of £234,896 (2017 - loss of £96,031) for the year.

The review exercise incorporates site by site trading performance across the 7 sites now operated, cash expectations and balance sheet outcomes. The directors have used reasonable assumptions over the forecast period. The forecast shows the business returning to strong profitability in Q1 of 2019 and operating well within bank covenants. Whilst the directors believe they have erred on the side of caution, the current economic conditions inevitably create considerable uncertainty. The directors are of the view that the key areas of uncertainty within the forecast are over 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.

The forecasts reflect the current trading conditions as well as initiatives to help improve profitability. Some of these 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 well 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.

1 Accounting policies (Continued)

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-identifiable 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. The negative goodwill is now fully amortised.

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. The patents are fully amortised.

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.

1 Accounting policies (Continued)

Stocks (continued)
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.

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 and amounts owed by group undertakings, 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 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.

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, 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.

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

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.

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 11.

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 11 for the carrying amount of tangible fixed assets.

3 Turnover

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

	2018	2017
	£	£
Turnover analysed by class of business		
Manufacture of breads, confectionary items and savoury products	98,006,845	90,171,058

Turnover analysed by geographical market

	2018	2017
	£	£
United Kingdom	96,968,559	89,233,735
Rest of Europe	1,038,286	937,323
	98,006,845	90,171,058

4 Employees

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

	2018	2017
	Number	Number
Direct	1,014	1,098
Transport	56	62
Management	55	56
Technical and quality assurance	113	110
Administrative	63	65
	1,301	1,391

Their aggregate remuneration comprised:

	2018	2017
	£	£
Wages and salaries	26,412,164	27,709,420
Social security costs	2,200,774	2,121,857
Pension costs	349,496	237,386
	28,962,434	30,068,663

5 Directors' remuneration

	2018	2017
	£	£
Remuneration for qualifying services	19,004	18,813

6 Operating profit

	2018	2017
Operating profit for the year is stated after charging/(crediting):	£	£
Exchange gains	(22,155)	(26,848)
Research and development costs	36,849	30,703
Government grants (note 20)	(73,650)	(73,650)
Depreciation of owned tangible fixed assets	2,355,799	2,000,637
Depreciation of tangible fixed assets held under finance leases	635,686	424,396
Profit on disposal of tangible fixed assets	(1,298)	-
Release of negative goodwill	-	(442,358)
Cost of stocks recognised as an expense	46,459,400	41,169,002
Operating lease charges	528,351	607,858
Rent rebates	-	(252,000)

The total costs for research and development amounted to £4,334,175 (2017 - £4,048,846). The research and development costs not included above are found within the wages and salaries figure in note 4, totalling £4,297,326 (2017 - £4,018,143).

7 Auditor's remuneration

	2018	2017
Fees payable to the company's auditor and its associates:	£	£
For audit services		
Audit of the company's financial statements	5,500	64,000
Audit of the company's subsidiaries	30,000	(29,500)
	35,500	34,500
For other services		
Taxation compliance services	3,000	3,000
Other taxation services	1,500	3,100
All other non-audit services	5,000	5,000
	9,500	11,100

8 Interest payable and similar expenses

	2018	2017
	£	£
Interest on bank overdrafts and loans	83,392	85,478
Other interest on financial liabilities	94,978	22,804
Interest on finance leases and hire purchase contracts	141,840	130,728
Interest on other loans	369,723	333,374
	689,933	572,384

9 Taxation

	2018	2017
	£	£
Current tax		
UK corporation tax on profits for the current period	-	85,052
Adjustments in respect of prior periods	(170,183)	79,817
Total current tax	(170,183)	164,869
Deferred tax		
Origination and reversal of timing differences	182,170	(83,616)
Changes in tax rates	(1,785)	-
Adjustment in respect of prior periods	166,789	(81,468)
Total deferred tax	347,174	(165,084)
Total tax charge	176,991	(215)

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

	2018 £	2017 £
Profit/(loss) before taxation	411,887	(96,246)
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2017: 19.33%)	78,259	(18,604)
Tax effect of expenses that are not deductible in determining taxable profit	125,452	24,214
Adjustments in respect of prior years	(170,183)	79,817
Effect of change in corporation tax rate	(23,326)	(4,174)
Deferred tax adjustments in respect of prior years	166,789	(81,468)
Tax expense/(income) for the year	176,991	(215)

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

	2018 £	2017 £
Deferred tax arising on:		
Revaluation of property	-	175,455

10 Intangible fixed assets

	Negative goodwill £	Patents £	Total £
Cost			
At 1 December 2017 and 30 November 2018	(1,464,110)	5,000	(1,459,110)
Amortisation and impairment			
At 1 December 2017 and 30 November 2018	(1,464,110)	5,000	(1,459,110)
Carrying amount			
At 1 December 2017 and 30 November 2018	-	-	-

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.

11 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 2017	4,000,000	2,287,289	22,985,608	2,520,481	641,164	32,434,542
Additions	21,095	-	4,037,316	41,772	33,437	4,133,620
Disposals	-	-	-	-	(25,662)	(25,662)
At 30 November 2018	4,021,095	2,287,289	27,022,924	2,562,253	648,939	36,542,500
Depreciation and impairment						
At 1 December 2017	-	346,574	8,871,940	1,389,675	454,825	11,063,014
Depreciation charged in the year	80,000	82,598	2,423,981	299,864	105,042	2,991,485
Eliminated in respect of disposals	-	-	-	-	(25,660)	(25,660)
At 30 November 2018	80,000	429,172	11,295,921	1,689,539	534,207	14,028,839
Carrying amount						
At 30 November 2018	3,941,095	1,858,117	15,727,003	872,714	114,732	22,513,661
At 30 November 2017	4,000,000	1,940,715	14,113,668	1,130,806	186,339	21,371,528

11 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:

	2018	2017
	£	£
Plant and machinery	4,411,792	4,300,352
Fixtures, fittings and equipment	61,756	-
Motor vehicles	96,623	161,058
	4,570,171	4,461,410
Depreciation charge for the year in respect of leased assets	635,686	424,396

Computer equipment is presented within plant and machinery.

During the prior 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 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:

	2018	2017
	£	£
Cost	3,162,800	3,162,800
Accumulated depreciation	252,797	189,541
Carrying value	2,910,003	2,973,259

12 Stocks

	2018	2017
	£	£
Raw materials and consumables	3,491,716	3,701,065
Finished goods and goods for resale	2,523,384	3,287,780
	6,015,100	6,988,845

13 Debtors

Amounts falling due within one year:	2018 £	2017 £
Trade debtors	15,655,367	16,530,422
Corporation tax recoverable	685,783	354,948
Amounts owed by group undertakings	41,596	-
Other debtors	789,839	1,022,875
Prepayments and accrued income	225,987	1,023,946
	17,398,572	18,932,191

14 Creditors: amounts falling due within one year

	Notes	2018 £	2017 £
Bank loans	16	851,229	895,408
Obligations under finance leases	17	877,879	697,933
Other borrowings	16	13,674,516	13,978,355
Trade creditors		13,690,046	13,885,690
Amounts due to group undertakings		-	42,404
Other taxation and social security		635,543	640,351
Other creditors		1,287,060	1,991,966
Accruals and deferred income		2,962,435	2,440,332
		33,978,708	34,572,439

15 Creditors: amounts falling due after more than one year

	Notes	2018 £	2017 £
Bank loans	16	2,790,137	3,624,467
Obligations under finance leases	17	1,585,890	1,741,045
Other borrowings	16	674,538	596,717
		5,050,565	5,962,229

16 Borrowings

	2018 £	2017 £
Bank loans	3,641,366	4,519,875
Other loans	14,349,054	14,575,072
	17,990,420	19,094,947
Payable within one year	14,525,745	14,873,763
Payable after one year	3,464,675	4,221,184

Bank loans of £3,641,366 (2017 - £4,519,875) and an invoice discount facility of £13,449,670 (2017 - £13,779,449), 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 £2,369,866 (2017 - £2,593,601) and asset loans of £1,271,500 (2017 - £1,926,274).

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 £427,000 (2017 - £549,000) and £460,000 (2017 - £580,000) incur interest of 2.94% over Bank of England 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 £384,500 (2017 - £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 £899,384 (2017 - £795,623). 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.

17 Finance lease obligations

	2018	2017
Future minimum lease payments due under finance leases:	£	£
Less than one year	877,879	697,933
Between one and five years	1,585,890	1,741,045
	2,463,769	2,438,978

17 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%.

18 Provisions for liabilities

	Note	2018 £	2017 £
Deferred tax liabilities	19	732,280	385,106
		732,280	385,106

19 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:

Balances:	Liabilities 2018 £	Liabilities 2017 £
Accelerated capital allowances	796,619	745,308
Tax losses	(479,169)	(632,187)
Other short term timing differences	(7,530)	(3,428)
R&D expenditure credit set off amount	-	(164,811)
Fair value uplift	422,360	440,224
	732,280	385,106

Movements in the year:	2018 £
Liability at 1 December 2017	385,106
Charge to profit or loss	347,174
Liability at 30 November 2018	732,280

20 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 £232,970 with £73,650 being released to the profit and loss during the period, resulting in a balance to be carried forward of £159,320.

21 Retirement benefit schemes

Defined contribution schemes	2018 £	2017 £
Charge to profit or loss in respect of defined contribution schemes	349,496	237,386

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 £33,266 (2017 - £45,364) 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.

22 Share capital

	2018 £	2017 £
Ordinary share capital		
Issued and fully paid		
5,000,000 Ordinary shares of £1 each	5,000,000	5,000,000
	5,000,000	5,000,000

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.

23 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.

24 Operating lease commitments

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

	2018	2017
	£	£
Within one year	554,000	529,000
Between two and five years	1,457,962	1,587,556
In over five years	38,123	235,342
	2,050,085	2,351,898

25 Financial commitments, guarantees and contingent liabilities

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.

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 £1,788,251 (2017 - £1,956,966) at the period end date.

26 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 £252,916 (2017 - £251,220) on premises owned by the David Wood Pension Scheme and received rent rebates of £nil (2017 - £252,000). Other creditors include an amount of £899,383 (2017 - £795,623) (split £224,846 (2017 - £198,906) due within one year and £674,538 (2017 - £596,717) due after one year) in respect of a loan from the David Wood Pension Scheme.

During the period the company paid rent of £178,000 (2017 - £161,780) 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 landlord.

Included in creditors is £1,277,891 (2017 - £1,237,064) owed to Mr D A Wood. Interest is charged at rates ranging from 2.91 % - 5.38% on this balance and £42,736 (2017 - £23,912) was charged during the period. The loan is unsecured and net advancements of £40,827 (2017 - £476,606) were made during the year.

28 Ultimate parent company and ultimate 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.