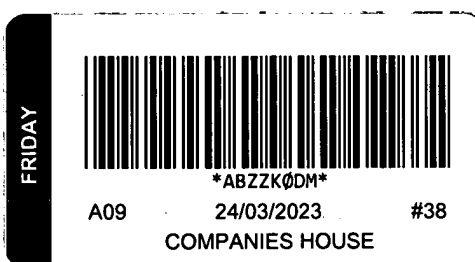


Company Registration No. 06541251 (England and Wales)

**DAVID WOOD BAKING LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 NOVEMBER 2021**



# DAVID WOOD BAKING LIMITED

## COMPANY INFORMATION

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

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# DAVID WOOD BAKING LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 NOVEMBER 2021

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The directors present the strategic report for the year ended 30 November 2021.

#### **Fair review of the business**

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.

The company continues to invest in research and development. 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 income statement on page 11, the company's sales have increased by 11.0% from £123,429,563 in 2020 to £136,961,310 in 2021, whilst operating profit has fallen from £4,689,226 to £2,058,953 after accounting for exceptional items of £866,000 (2020 - £nil).

In common with all our competitors we experienced significant increases in our direct costs during the early part of 2022. This gave rise to a period of losses whilst we were negotiating increases with our customers. As a result of several rounds of selling price increases throughout 2022 to cover ongoing increases in material, transport and utility input costs we returned to profit in the latter part of 2022.

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 in operating profit from last year is entirely attributable to the costs in bringing the new Spalding site into operation, in the year there are additions totalling £15,436,494. This expansion was financed through an amalgamation of asset financing and loans from lenders. Efficiencies at the other sites continue to improve. Action plans for continued improvements in performance at all sites are in place and progress is being made. The company has continued to invest heavily in capital projects at the sites in the year to reduce labour costs, increase capacity and widen the range of products that the business can manufacture. This investment will result in improved profits as individual projects are completed.

The statement of financial position on page 12 of the financial statements shows that the company's financial position at the year end has improved, with net assets increasing from £12,118,824 in 2020, to £12,969,579 in 2021 though cash at bank and in hand has fallen from £6,113,394 in 2020, to £2,039,820 in 2021. Working capital has also reduced, and the company manages its working capital and operations in order to generate strong cash-flows.

The key focus for management has been to bring the Spalding site into full operation. The site was acquired in late 2020 and it will become a large, modern and efficient bread producing site. Production commenced in the second half of 2021. Management will then focus entirely on maximising efficiencies and profitability at each individual site.

#### **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.

# DAVID WOOD BAKING LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

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#### Principal risks and uncertainties

The impact of recent global events on our input costs has presented a principal risk for the company post year end. Supply costs of ingredients, transport and utilities have increased substantially since the year end and we have been successful in passing these costs on to our customers albeit with some delay in achieving the selling price increases required. Costs are being monitored very closely to ensure we are able to act quickly to pass any future cost increases on to customers.

The most recent forecasts show that the company is expecting to be able to continue to meet its liabilities as they fall due for the foreseeable future and to stay within recently agreed borrowing limits on banking facilities.

We have critically reviewed these forecasts site by site and monitor them against actual weekly and monthly performance. We are now coming to an end of a period of heavy investment in the new Spalding site. This investment has required us to seek additional financing all of which is now in place. The next few years will see a period of consolidation where we will seek to contain further investment and retain cash from the operational profits of the business.

The directors have therefore satisfied themselves that the business will continue to flourish and is able to meet its liabilities as they fall due for the foreseeable future and will operate within its agreed banking facilities.

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 constant review of key materials acquired.
- Contracts can and have been lost due to competition from other suppliers into the markets the company serves. 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.
- 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.

# DAVID WOOD BAKING LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

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#### Future developments

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

The company has continued to invest in capital projects at the sites in the first quarter of 2022 to reduce labour costs, increase capacity and widen the range of products that the business can manufacture. This investment will result in improved profits as individual projects are completed. Following this investment, all non-essential capital expenditure has been halted.

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

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

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

#### Section 172 statement

The directors have regard to the matters set out in section 172(1)(a) to (f) of the Companies Act 2006. Under this regulation, the directors have a duty to act in good faith and promote the long-term success of the company.

The company is ultimately wholly owned by a director of the company and therefore the interest of the directors and shareholder are aligned with the success of the company.

In making key decisions the company has had to balance the needs and requirement of its key stakeholders. These include shareholders, employees, customers, suppliers and other stakeholders such as the general public and the environment. The following key strategic decision was made in the year:

- Further extensive investment was made at the new Spalding site during the reporting period. The investment supports our value creation strategy to expand our production capabilities in markets where there is clear profitable demand for our products. The site fits well with the geographic location of our customer base and our existing facilities. Wherever possible we financed the investment with hire purchase agreements. As the site has become active, we have recruited to fit the values and culture of the company. The planned future investment will be funded with additional borrowings and will eventually create several hundred jobs to benefit the local community.

The interests of the above key stakeholders are not always totally compatible and may even be mutually exclusive at times. Therefore, the company has to constantly weigh up the needs and requirements of all key stakeholders and attempt to find the right balance where decisions may affect more than one stakeholder. At all times, the company remains ethical in its dealings with key stakeholders and attempts to keep all key stakeholders informed of relevant business decisions.

In making long term decisions about the future of the company, at all times we have the requirements of our key stakeholders in mind. The board take our responsibility to ESG (Economic, Social and Corporate Governance) extremely seriously and the likely consequences of all our long-term decision making is part of our ongoing risk management process.

The culture of the business is one of support and inclusiveness with the aim of ensuring our business is sustainable in the long run. We aim to be an equal opportunities employer at all times and deal fairly and ethically with all stakeholders. Robust procedures are in place for conflict resolution.

# DAVID WOOD BAKING LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2021

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### Employee engagement

The directors and senior management promote effective engagement with all the company's employee. Directors visit each site on a regular basis and engage with all employees whilst there. Visits are often timed so that engagement includes night shift workers. Monthly senior management meetings and divisional sales meetings are often held at different sites to encourage engagement. This all provides valuable feed back to the directors on site opportunities and issues. The company operates a number of measures to facilitate workforce engagement including works councils, employee forums, staff briefings.

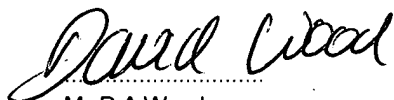
### Business relationships

The directors and senior management engage with customers to provide information about key customer relationships. Material relationships are being constantly monitored and reviewed by the directors who remain in close contact directly and indirectly with all key customers to understand their concerns and support their ever-changing needs.

Information from key suppliers is provided directly to the directors and senior management. The directors review and approve most supplier contracts and are involved in sourcing strategies.

The directors recognise its impact on local communities and its responsibility to the environment.

On behalf of the board



Mr D A Wood

Director

Date: 23.3.23

# DAVID WOOD BAKING LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 NOVEMBER 2021

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The directors present their annual report and financial statements for the year ended 30 November 2021.

The financial statements are drawn up to the nearest Saturday to 30 November which falls on 27 November 2021 ("the financial year"). The comparative financial statements were prepared to 28 November 2020 ("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.

#### Results and dividends

The results for the year are set out on page 11.

Ordinary dividends were paid amounting to £115,000 (2020 - £nil). The directors do not recommend payment of a final dividend.

#### 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

#### 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 £3,327,350 (2020 - £4,081,678). 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

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

# DAVID WOOD BAKING LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2021

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### 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



Mr D A Wood  
Director

Date: 23.3.23



# **DAVID WOOD BAKING LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

### **FOR THE YEAR ENDED 30 NOVEMBER 2021**

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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**

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## **Opinion**

We have audited the financial statements of David Wood Baking Limited (the 'company') for the year ended 30 November 2021 which comprise the income statement, 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 2021 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.

## **Material uncertainty related to going concern**

We draw attention to note 1 in the financial statements, which indicates that there are macro-economic factors that may have a material impact on the Company's ability to trade within their current facilities and meet their covenants. As stated in note 1, these events or conditions, along with the other matters as set forth in note 1, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

## **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 contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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)**

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### **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 or the directors' report.

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

- adequate accounting records have not been kept, 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 7, 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.

### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

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

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

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### 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

*23.3.23*

# DAVID WOOD BAKING LIMITED

## INCOME STATEMENT

FOR THE YEAR ENDED 30 NOVEMBER 2021

	Notes	2021 £	2020 £
Turnover	3	136,961,310	123,429,563
Cost of sales		(111,812,884)	(102,771,772)
<b>Gross profit</b>		<b>25,148,426</b>	<b>20,657,791</b>
Distribution costs		(8,737,676)	(6,988,691)
Administrative expenses		(14,120,268)	(12,357,784)
Other operating income		634,471	3,377,910
Exceptional item	4	(866,000)	-
<b>Operating profit</b>	6	<b>2,058,953</b>	<b>4,689,226</b>
Interest payable and similar expenses	9	(654,929)	(659,725)
<b>Profit on ordinary activities before taxation</b>		<b>1,404,024</b>	<b>4,029,501</b>
Taxation	10	(438,269)	(756,321)
<b>Profit for the financial year</b>	25	<b>965,755</b>	<b>3,273,180</b>

**DAVID WOOD BAKING LIMITED****STATEMENT OF FINANCIAL POSITION  
AS AT 30 NOVEMBER 2021**

	Notes	2021		2020	
		£	£	£	£
<b>Fixed assets</b>					
Negative goodwill	12		-		-
Intangible assets	12		17,000		19,000
Total intangible assets			17,000		19,000
Tangible assets	13		45,635,363		28,335,228
			45,652,363		28,354,228
<b>Current assets</b>					
Stocks	14	6,289,422		5,866,324	
Debtors	15	20,326,652		23,995,593	
Cash at bank and in hand		2,039,820		6,113,394	
			28,655,894		35,975,311
<b>Creditors: amounts falling due within one year</b>	16	(47,893,819)		(42,195,198)	
<b>Net current liabilities</b>			(19,237,925)		(6,219,887)
<b>Total assets less current liabilities</b>			26,414,438		22,134,341
<b>Creditors: amounts falling due after more than one year</b>	17		(10,445,814)		(8,299,443)
<b>Provisions for liabilities</b>	20		(2,912,546)		(1,623,909)
<b>Government grants</b>	22		(86,499)		(92,165)
<b>Net assets</b>			12,969,579		12,118,824
<b>Capital and reserves</b>					
Called up share capital	24	5,000,000		5,000,000	
Revaluation reserve	25	540,251		555,210	
Profit and loss reserves	25	7,429,328		6,563,614	
<b>Total equity</b>			12,969,579		12,118,824

The financial statements were approved by the board of directors and authorised for issue on 23.3.23 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 2021

	Notes	Share capital £	Revaluation reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 December 2019</b>		5,000,000	817,798	3,027,846	8,845,644
<b>Year ended 30 November 2020:</b>					
Profit for the year		-	-	3,273,180	3,273,180
Transfers	25	-	(262,588)	262,588	-
<b>Balance at 30 November 2020</b>		5,000,000	555,210	6,563,614	12,118,824
<b>Year ended 30 November 2021:</b>					
Profit for the year		-	-	965,755	965,755
Dividends	11	-	-	(115,000)	(115,000)
Transfers	25	-	(14,959)	14,959	-
<b>Balance at 30 November 2021</b>		5,000,000	540,251	7,429,328	12,969,579

# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2021

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### 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 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' & Section 12 'Other Financial Instrument Issues' – amount of any impairment loss;
- 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 2021

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#### 1 Accounting policies (Continued)

##### Going concern

In determining whether the company's accounts can be prepared on a going concern basis, the directors considered the company's business activities and cash requirements together with factors likely to affect its performance and financial position.

The company reacted to manage the impact of input price inflation and continues to manage its capital and costs and seeks to improve its liquidity position. Supply costs of ingredients, transport and utilities have increased substantially since the year end and the business generated losses in the year to November 2022. Since then, we have been successful in passing these costs on to our customers albeit with some delay in achieving the selling price increases required.

The following positive actions have already been taken by the directors to improve the security of the business.

- In early 2023, additional finance has been secured from new and existing lenders including further shareholder funding. If the assumptions in the reforecasts are met, then the reforecasts suggest these renewed facilities are sufficient for the company's ongoing needs to March 2024;

- Where possible, materials and energy prices are being contracted ahead of time to improve visibility of delivery costs. Where material and energy prices have already been fixed, these prices are reflected in the forecasts. Costs are being monitored very closely to ensure we can act quickly to pass any future cost increases on to customers;

- We have now come to the end of a period of heavy investment in the new Spalding site. Capital expenditure has now been reduced to essential items only.

In the period November 2022 to February 2023, the directors are really pleased with the positive trading pattern. Site operating performance has increased on average, and the Spalding site is ramping up activity. Capital expenditure is now well controlled. The business has been trading at profit levels consistent with or in excess of its forecasts and has traded within its borrowing facilities.

Further actions, including further cost savings and working capital benefits, are available to the directors to mitigate the impact of the trading environment.

We have prepared forecasts on a site-by-site basis, to March 2024 which we monitor against actual weekly and monthly performance. The forecasts expect the business to achieve turnover in excess of £200m on an annualised basis, at gross margins consistent with those the business delivered prior to 2022.

The impact of recent economic events on our input costs has presented a principal risk for the company post year end. The key judgements in relation to the going concern assessment are the ability of the company to meeting its forecast sales demand and the likelihood of further input price inflation and whether this will be absorbed by customers.

The directors are confident in the company's ability to achieve the forecast results and in each of the four months November 2022 to February 2023, the company has achieved the forecast profitability levels.

At 30 November 2021, the company had net current liabilities of £19.2m (2020: £6.2m).

Following a post year end refinancing referred to above, the company had utilised £40.9m of £41.1m borrowing facilities at the end of February 2023. The facilities in use comprise an overdraft, an invoice finance facility and other borrowings. There are financial covenants associated with some of these facilities, which are reviewed monthly or quarterly as required.

# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

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#### 1 Accounting policies (Continued)

The overdraft and invoice finance facilities are due for annual renewal in July 2023 and February 2024 respectively. The directors believe they will be available throughout this period and beyond and their forecasts are prepared on the basis that these facilities will be on extended on the current terms. The other borrowings are repayable on terms between repayment on demand to 14 months' time. The directors have obtained written confirmation that that loans from shareholders that are repayable on demand will not be called in within the forecast period. All contractual loan repayments have been modelled into the forecasts.

#### **Going concern basis**

In preparing the forecasts there remains the uncontrollable factor with regards to demand from our customer base. Whilst the directors consider it unlikely, if margin levels were to fall significantly as they did between May and October 2022 or forecast sales are materially below forecast, it could impact the company's ability to operate within their agreed facilities and to achieve covenant compliance which may result in facilities being recalled. These events mean material uncertainties exist that may cast significant doubt on the company's ability to continue as a going concern.

However, the company has a good relationship with its lenders who have been very supportive during the recent challenging times. Accordingly, if the company were to face any liquidity challenges during the forecast period, whilst not contracted, the Board is confident its lenders would continue to be supportive, especially now the business has returned to profitability. Whilst the Board acknowledges there remains some risk associated with liquidity and covenants, the directors expect the business to continue to deliver further months of positive trading performance against its forecasts, creating additional headroom, therefore reducing risks associated with covenant performance and facility headroom.

Notwithstanding the uncertainties outlined above, strong trading performance from November 2022 to the date these financial statements are approved means the directors have a reasonable expectation that the company will have access to adequate resources to enable it to continue to operate as a going concern for the foreseeable future, being a period of at least twelve months from the date when these financial statements are authorised to be issued. For these reasons, the directors consider it appropriate for the company to continue to adopt the going concern basis of accounting in preparing the Annual Report and financial statements. Accordingly, the financial statements of the company have been prepared on a going concern basis.

#### **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 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. Grant income is recognised within other operating income.

#### **Research and development expenditure**

Research expenditure is written off against profits in the year in which it is incurred. Identifiable development expenditure is capitalised to the extent that the technical, commercial and financial feasibility can be demonstrated.

# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

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#### 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.

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

Patents	10% on cost
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##### **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 and assets under construction are not depreciated.

Depreciation commences on a straight-line basis when an asset is available for use, at which time the asset ceases to be classified as an asset under construction. If at any time there is a permanent diminution in the value of an asset and the net book amount is considered not to be recoverable in full, the net book amount is written down to the estimated recoverable amount.

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.

##### **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 is determined using the retail method whereby the sales value of the stock is reduced by the appropriate gross margin. This margin takes into consideration stock that has been marked down to below its original selling price.

# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

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#### 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 debtor, other debtors, amounts owed by group undertakings and cash and bank balances, 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.

##### **Basic financial liabilities**

Basic financial liabilities, including trade creditors, other creditors, accruals, bank and other borrowings, 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.

# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

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#### 1 Accounting policies (Continued)

##### ***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 transaction 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.

##### **Provisions**

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2021

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### 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 profit or loss 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 profit or loss 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 leases asset are consumed.

#### 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.

The overdraft and invoice finance facilities are due for annual renewal in July 2023 and February 2024 respectively. The directors believe they will be available throughout this period and beyond and their forecasts are prepared on the basis that these facilities will be on extended on the current terms. The other borrowings are repayable on terms between repayment on demand to 14 months' time. The directors have obtained written confirmation that that loans from shareholders that are repayable on demand will not be called in within the forecast period. All contractual loan repayments have been modelled into the forecasts.

# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2021

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### 1 Accounting policies (Continued)

In preparing the forecasts there remains the uncontrollable factor with regards to demand from our customer base. Whilst the directors consider it unlikely, if margin levels were to fall significantly as they did between May and October 2022 or forecast sales are materially below forecast, it could impact the company's ability to operate within their agreed facilities and to achieve covenant compliance which may result in facilities being recalled. These events mean material uncertainties exist that may cast significant doubt on the company's ability to continue as a going concern.

However, the company has a good relationship with its lenders who have been very supportive during the recent challenging times. Accordingly, if the company were to face any liquidity challenges during the forecast period, whilst not contracted, the Board is confident its lenders would continue to be supportive, especially now the business has returned to profitability. Whilst the Board acknowledges there remains some risk associated with liquidity and covenants, the directors expect the business to continue to deliver further months of positive trading performance against its forecasts, creating additional headroom, therefore reducing risks associated with covenant performance and facility headroom.

Notwithstanding the uncertainties outlined above, strong trading performance from November 2022 to the date these financial statements are approved means the directors have a reasonable expectation that the company will have access to adequate resources to enable it to continue to operate as a going concern for the foreseeable future, being a period of at least twelve months from the date when these financial statements are authorised to be issued. For these reasons, the directors consider it appropriate for the company to continue to adopt the going concern basis of accounting in preparing the Annual Report and financial statements. Accordingly, the financial statements of the company have been prepared on a going concern basis.

### 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. The directors do not consider there to be any key sources of estimation.

#### **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 13.

#### **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.

# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2021

### 2 Judgements and key sources of estimation uncertainty (Continued)

#### **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 13 for the carrying amount of tangible fixed assets.

#### **Measurement of stock**

The company measures the cost of stock using the retail method, whereby the sales value of the stock is reduced by the appropriate gross margin, which is estimated by management. When making this estimation, management consider stock that has been marked down to below its original selling price. See note 14 for the carrying value of stock.

#### **Holiday pay accrual**

The company makes an estimate as to the amount of outstanding holiday held by its employees at the year end. In making this estimate, management consider factors such as number of days or hours worked by staff each week, irregular hours and changes to employees' pay. The holiday pay accrual is included within accruals and deferred income in note 16.

### 3 Turnover

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

	2021 £	2020 £
<b>Turnover analysed by class of business</b>		
Manufacture of breads, confectionary items and savoury products	136,961,310	123,429,563
	<u>136,961,310</u>	<u>123,429,563</u>
<b>Turnover analysed by geographical market</b>		
	2021 £	2020 £
United Kingdom	136,153,670	122,652,817
Rest of Europe	807,640	776,746
	<u>136,961,310</u>	<u>123,429,563</u>

### 4 Exceptional item

	2021 £	2020 £
<b>Expenditure</b>		
Health and Safety breach	866,000	-
	<u>866,000</u>	<u>-</u>

The exceptional item above relates to a material fine in respect of health and safety regulation breaches as explained further in note 20.



# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2021

### 5 Employees

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

	2021 Number	2020 Number
Direct	1,302	1,161
Transport	77	69
Management	56	50
Technical and quality assurance	140	125
Administrative	70	62
	<u>1,645</u>	<u>1,467</u>

Their aggregate remuneration comprised:

	2021 £	2020 £
Wages and salaries	37,167,952	34,822,701
Social security costs	3,140,044	2,883,736
Pension costs	625,786	641,544
	<u>40,933,782</u>	<u>38,347,981</u>

### 6 Operating profit

	2021 £	2020 £
Operating profit for the year is stated after charging/(crediting):		
Research and development costs	35,896	12,684
Government grants (note 22)	(634,471)	(3,377,910)
Depreciation of owned tangible fixed assets	3,180,095	2,941,126
Depreciation of tangible fixed assets held under finance leases	766,104	999,736
Profit on disposal of tangible fixed assets	(15,016)	(254,340)
Amortisation of intangible assets	2,000	1,000
Operating lease charges	958,723	1,041,655
	<u></u>	<u></u>

The total costs for research and development amounted to £3,846,124 (2020 - £4,081,678). The research and development costs not included above are found within the wages and salaries figure in note 4, totalling £3,810,228 (2020 - £4,068,994).

### 7 Directors' remuneration

	2021 £	2020 £
Remuneration for qualifying services	<u>17,256</u>	<u>20,025</u>

# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2021

### 8 Auditor's remuneration

	2021	2020
	£	£
Fees payable to the company's auditor and its associates:		
<b>For audit services</b>		
Audit of the company's financial statements	45,000	37,550
<b>For other services</b>		
Taxation compliance services	3,000	3,000
Other taxation services	1,500	1,500
All other non-audit services	6,050	5,250
	10,550	9,750

### 9 Interest payable and similar expenses

	2021	2020
	£	£
Interest on bank overdrafts and loans	65,327	61,401
Other interest on financial liabilities	57,392	64,728
Interest on finance leases and hire purchase contracts	249,700	172,561
Interest on other loans	282,510	361,035
	654,929	659,725

### 10 Taxation

	2021	2020
	£	£
<b>Current tax</b>		
UK corporation tax on profits for the current period	-	573,973
Adjustments in respect of prior periods	15,632	(125,790)
Total current tax	15,632	448,183
<b>Deferred tax</b>		
Origination and reversal of timing differences	(79,650)	132,448
Changes in tax rates	510,287	156,996
Adjustment in respect of prior periods	(8,000)	18,694
Total deferred tax	422,637	308,138
Total tax charge	438,269	756,321

In the budget on 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 21. The effect of this change is included in the reconciliation below.

# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

#### 10 Taxation (Continued)

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

	2021 £	2020 £
Profit before taxation	1,404,024	4,029,501
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	266,765	765,605
Tax effect of expenses that are not deductible in determining taxable profit	181,240	117,274
Adjustments in respect of prior years	15,632	(107,119)
Remeasurement of deferred tax for changes in tax rate	491,171	156,995
Deferred tax adjustments in respect of prior years	(8,000)	-
Difference in relation to capital gains	-	(176,434)
Fixed asset differences	(508,539)	-
Tax expense/(income) for the year	438,269	756,321

#### 11 Dividends

	2021 £	2020 £
Interim paid	115,000	-

#### 12 Intangible fixed assets

	Negative goodwill £	Patents £	Total £
<b>Cost</b>			
At 1 December 2020 and 30 November 2021	(1,464,110)	25,000	(1,439,110)
<b>Amortisation and impairment</b>			
At 1 December 2020	(1,464,110)	6,000	(1,458,110)
Amortisation charged for the year	-	2,000	2,000
At 30 November 2021	(1,464,110)	8,000	(1,456,110)
<b>Carrying amount</b>			
At 30 November 2021	-	17,000	17,000
At 30 November 2020	-	19,000	19,000

# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2021

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### 12 Intangible fixed assets (Continued)

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 was released in line with the annual amortisation charge on these revalued assets.

Amortisation is recognised in administrative expenses. There were no contractual commitments to purchase intangible assets at the year end.

# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2021

### 13 Tangible fixed assets

	Freehold land and buildings £	Leasehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
<b>Cost or valuation</b>						
At 1 December 2020	2,521,095	2,280,726	39,709,452	2,678,059	1,233,017	48,422,349
Additions	-	-	22,032,263	110,890	142,515	22,285,668
Disposals	-	-	(1,129,002)	-	(109,529)	(1,238,531)
At 30 November 2021	2,521,095	2,280,726	60,612,713	2,788,949	1,266,003	69,469,486
<b>Depreciation and impairment</b>						
At 1 December 2020	152,617	687,926	16,447,849	2,266,349	532,380	20,087,121
Depreciation charged in the year	51,495	109,016	3,349,211	188,519	247,958	3,946,199
Eliminated in respect of disposals	-	-	(106,681)	-	(92,516)	(199,197)
At 30 November 2021	204,112	796,942	19,690,379	2,454,868	687,822	23,834,123
<b>Carrying amount</b>						
At 30 November 2021	2,316,983	1,483,784	40,922,334	334,081	578,181	45,635,363
At 30 November 2020	2,368,478	1,592,800	23,261,603	411,710	700,637	28,335,228

# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2021

### 13 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:

	2021 £	2020 £
Plant and machinery	10,899,925	7,219,232
Fixtures, fittings and equipment	-	35,313
Motor vehicles	241,202	687,474
	<u>11,141,127</u>	<u>7,942,019</u>
Depreciation charge for the year in respect of leased assets	<u>766,104</u>	<u>999,736</u>

Computer equipment is presented within plant and machinery.

Freehold land and buildings of £2,316,983 (2020 - £2,368,478) includes revalued property with a carrying value of £2,295,888 (2020 - £2,347,383), based on a valuation undertaken by an external independent valuer on 3 May 2017. The directors have determined that this valuation provides a reasonable approximation of the fair value of the freehold land and buildings at 30 November 2021.

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:

	2021 £	2020 £
Cost	1,826,800	1,826,800
Accumulated depreciation	<u>246,618</u>	<u>210,082</u>
Carrying value	<u>1,580,182</u>	<u>1,616,718</u>

Freehold land and buildings with a carrying amount of £2,295,888 (2020 - £2,347,383) have been pledged to secure borrowings of the company. The company is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

Included in plant and machinery, are assets under construction with a cost of £19,053,151 (2020: £2,511,128). Assets transferred to plant and machinery in the year amounted to £nil (2020: £nil). Depreciation is recognised in profit or loss when the assets become available for use. The plant and machine under construction came into productive use between April 2022 and October 2022 and depreciation of those assets commenced from those dates.

# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

#### 14 Stocks

	2021 £	2020 £
Raw materials and consumables	4,374,949	3,330,778
Finished goods and goods for resale	1,914,473	2,535,546
	<u>6,289,422</u>	<u>5,866,324</u>

#### 15 Debtors

	2021 £	2020 £
<b>Amounts falling due within one year:</b>		
Trade debtors	17,064,685	21,676,828
Corporation tax recoverable	519,128	339,466
Amounts owed by group undertakings	91,596	91,596
Other debtors	2,442,198	1,652,799
Prepayments and accrued income	209,045	234,904
	<u>20,326,652</u>	<u>23,995,593</u>

#### 16 Creditors: amounts falling due within one year

	Notes	2021 £	2020 £
Bank loans	18	1,477,837	1,325,502
Obligations under finance leases	19	2,692,578	1,633,092
Other borrowings	18	14,343,887	18,272,769
Trade creditors		20,818,729	14,633,223
Other taxation and social security		1,762,620	828,565
Other creditors		1,162,151	781,877
Accruals and deferred income		5,636,017	4,720,170
		<u>47,893,819</u>	<u>42,195,198</u>

#### 17 Creditors: amounts falling due after more than one year

	Notes	2021 £	2020 £
Bank loans	18	3,273,535	4,210,831
Obligations under finance leases	19	5,719,525	2,756,238
Other borrowings	18	1,452,754	1,332,374
		<u>10,445,814</u>	<u>8,299,443</u>

# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2021

### 18 Borrowings

	2021 £	2020 £
Bank loans	4,751,372	5,536,333
Other loans	15,796,641	19,605,143
	<u>20,548,013</u>	<u>25,141,476</u>
Payable within one year	15,821,724	19,598,271
Payable after one year	<u>4,726,289</u>	<u>5,543,205</u>

Bank loans of £4,751,372 (2020 - £5,536,333) and an invoice discounting facility of £13,476,038 (2020 - £17,475,265), 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 £1,634,817 (2020 - £1,924,999), asset loans of £783,222 (2020 - £403,000) and loans under the Coronavirus Large Business Interruption Loan Scheme of £2,333,333 (2020 - £3,208,334).

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 £61,000 (2020 - £183,000) and £100,000 (2020 - £220,000) incur interest of 2.94% over Bank of England base rate. The loans are repayable in equal monthly repayments of £12,147 and £12,283 respectively. The loans will be repaid in full by May 2022 and September 2022 respectively.

Asset loans of £622,222 (2020- £nil) incurred interest of 5% over Bank of England base rate. The loan is repayable in equal monthly repayments of £21,614 and will be fully repaid in July 2024.

The company has a loan under the Coronavirus Large Business Interruption Loan Scheme of £2,333,333 (2020 - £3,208,334) which incurs interest at 1.9% over Bank of England base rate. The loan is repayable in monthly repayments of £72,917 for three years and one final repayment in July 2023.

Included within other loans are pension scheme loans of £2,320,603 (2020 - £2,129,878). Pension scheme loans incur interest ranging from 1.5-4% and are secured against the assets of the company. The loans are repayable in equal annual repayments of between £17,764 and £276,741. The loans will be repaid in full by March 2022.

In January 2023 the company refinanced its invoice finance facility with Leumi UK Group Limited providing additional facilities suitable for the future growth of the business. In addition, Leumi provided additional asset finance lending repayable over 5 years and the shareholders provided additional loans with no formal repayment terms. At the same time our bankers renewed an overdraft facility and rescheduled repayment of their remaining term loans outstanding.



# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2021

### 19 Finance lease obligations

	2021	2020
	£	£
Future minimum lease payments due under finance leases:		
Less than one year	2,692,579	1,633,092
Between one and five years	5,719,524	2,756,238
	<u>8,412,103</u>	<u>4,389,330</u>

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%.

### 20 Provisions for liabilities

	Note	2021	2020
		£	£
Health and Safety breach		866,000	-
Deferred tax liabilities	21	2,046,546	1,623,909
		<u>2,912,546</u>	<u>1,623,909</u>

Movements on provisions apart from retirement benefits and deferred tax liabilities:

	Health and Safety breach £
Additional provisions in the year	<u>866,000</u>

During September 2021, an employee suffered a serious injury at one of the production sites. The resulting Health and Safety Executive (HSE) investigation determined that the company had contravened and safety law. In December 2021, the HSE advised the company that it would be instigating legal proceedings against the company culminating in the company pleading guilty to the offences. In January 2023, the company was fined £858,000 for the offences and was required to pay costs of £8,000. The fine is due for payment in March 2025.

# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2021

### 21 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 2021 £	Liabilities 2020 £
<b>Balances:</b>		
Accelerated capital allowances	4,814,814	1,448,150
Tax losses	(3,000,099)	-
Other short term timing differences	(15,118)	(11,923)
Fair value uplift	246,949	187,682
	<u>2,046,546</u>	<u>1,623,909</u>
		<b>2021</b>
<b>Movements in the year:</b>		<b>£</b>
Liability at 1 December 2020		1,623,909
Charge to profit or loss		422,637
Liability at 30 November 2021		<u>2,046,546</u>

### 22 Government grants

Included within other operating income is £628,805 (2020 - £3,372,244) from the UK Government in respect of the Coronavirus Job Retention Scheme (CJRS) which was utilised by the company during the year as a result of the Covid-19 pandemic. Included with prepayments and accrued income at the year end was £nil (2020 - £17,936) in relation to the scheme.

Also included with other operating income is £5,666 (2020 - £5,666) 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 outstanding liability in relation to the grants at the year end on the statement of financial position was £86,499 (2020 - £92,165).

### 23 Retirement benefit schemes

	2021 £	2020 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>625,786</u>	<u>641,544</u>

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 £17,105 (2020 - £21,833) 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.

# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

#### 24 Share capital

	2021 Number	2020 Number	2021 £	2020 £
<b>Ordinary share capital Issued and fully paid</b>				
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.

#### 25 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.

#### *Reserve transfer*

During the year, the company transferred £14,959 (2020 - £262,588) from the revaluation reserve to the profit and loss reserves, equivalent to the excess depreciation that has been charged in respect of the revalued property.

# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2021

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### 26 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:

	2021 £	2020 £
Within one year	1,101,433	1,125,167
Between two and five years	1,642,573	2,615,132
	<u>2,744,006</u>	<u>3,740,299</u>

### 27 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 £1,091,640 (2020 - £1,151,278) at the period end date.

### 28 Capital commitments

Amounts contracted for but not provided in the financial statements:

	2021 £	2020 £
Acquisition of tangible fixed assets	<u>242,052</u>	<u>59,130</u>

# DAVID WOOD BAKING LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2021

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### 29 Related party transactions

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

During the year the company paid rent of £119,333 (2020 - £165,700) on premises owned by the David Wood Pension Scheme. Other borrowings include an amount of £2,320,602 (2020 - £2,129,878) (split £867,849 (2020 - £797,504) due within one year and £1,452,754 (2020 - £1,332,374) due after one year) in respect of a loan from the David Wood Pension Scheme. Interest of £41,189 (2020 - £51,715) was charged on this loan during the year.

During the year the company paid rent of £143,000 (2020 - £143,000) 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 £727,880 (2020 - £775,880) owed to Mr D A Wood. Interest is charged and paid of 1.67% on this balance and £10,817 (2020 - £47,578) was charged and paid during the period. The loan is unsecured and net repayments of £48,000 (2020 - net advances of £57,000) were made during the year.

During the year the company paid rent of £323,126 (2020 - £346,749) on premises owned D A Wood and Sons Ltd, a company in which Mr D A Wood and Mrs K Wood are both directors and shareholders. Included in debtors is £328,952 (2020 - £330,498) due from D A Wood and Sons Ltd. Net repayments of £1,546 were made by D A Wood and Sons Ltd during the year (2020 - £130,000). The balance is interest free and repayable on demand.

During the year the company made sales of £nil (2020 - £2,549,876) to Sayers and Poundbakery Limited, a company in which Mr D A Wood and Mrs K Wood are both and shareholders, and Mrs K Wood is a director. Included in creditors is £nil (2020 - £nil) owed to Sayers and Poundbakery Limited.

During the year the company made sales of £8,344,572 (2020 - £2,818,903) to S&PB Retail Limited and purchases of £558,721 (2020 - £nil) from S&PB Retail Limited, a company in which Mr D A Wood and Mrs K Wood are both and shareholders, and Mrs K Wood is a director. Included in debtors is £475,790 (2020 - £775,560) due from S&PB Retail Limited. Included in creditors is £86,920 (2020 - £nil) due to S&PB Retail Limited.

### 30 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.