

Company Registration Number 06541251

DAVID WOOD BAKING LIMITED  
FINANCIAL STATEMENTS  
30 NOVEMBER 2022

**ArmstrongWatson®**  
Accountants, Business & Financial Advisers



**DAVID WOOD BAKING LIMITED**

**COMPANY INFORMATION**

<b>Directors</b>	Mr D A Wood Mrs K Wood
<b>Company secretary</b>	Mrs K Wood
<b>Registered number</b>	06541251
<b>Registered office</b>	1 Calverley Road Oulton Leeds LS26 8JD
<b>Independent auditor</b>	Armstrong Watson Audit Limited Chartered Accountants & Statutory Auditors Third Floor 10 South Parade Leeds West Yorkshire LS1 5QS

DAVID WOOD BAKING LIMITED

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## DAVID WOOD BAKING LIMITED

### STRATEGIC REPORT FOR THE YEAR ENDED 30 NOVEMBER 2022

#### Introduction

The directors present the strategic report for the year ended 30 November 2022.

#### 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 12, the company's sales have increased by 26% from £136,961,310 in 2021 to £172,793,214 in 2022, whilst operating profit has fallen from a profit of £2,058,953 to a loss of £4,705,540 after accounting for exceptional items of revaluation surplus of £863,442 (2021 - expense of £866,000).

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 current improvement in operating profit from last year is attributable to the selling price increases along with the operational improvements at our new site in Spalding. Efficiencies at all sites continue to improve & action plans are in place at those sites that have some way to go in achieving satisfactory levels of profitability. Having undertaken a period of very heavy expenditure in capital projects at the sites over the last few years focused on reducing unit costs, increasing capacity and widening the range of products that the business can manufacture, the level of required investment is now significantly less. The benefits of this investment are now being seen in our current year profit performance.

The statement of financial position on page 13 of the financial statements shows that the company's financial position at the year end has been impacted significantly following the cost of living crisis and inflation increase, with net assets decreasing from £12,969,579 in 2021, to £9,753,283 in 2022. Working capital has also reduced, and the company manages its working capital and operations in order to generate strong cashflows.

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 and the site is now trading profitably.

**DAVID WOOD BAKING LIMITED**

**STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 30 NOVEMBER 2022**

**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. The company implemented ISO 45001:2018 Occupational Health and Safety Management System during the year with all sites now fully accredited.
- 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.

**Principal risks and uncertainties**

The impact of recent global events over this last year on our input costs has presented a principal risk for the company. Supply costs of ingredients, transport and utilities have increased substantially from early 2022 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 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 & monthly performance. All financing required is in place. The next few years will see a period of consolidation where we will not require the level of investment seen in recent years and we will retain cash from the operational profits of the business.

The company has a well established and strong senior management team that has managed the business through a very difficult period of significant global inflationary pressure, extensive capital projects & continued sales growth.

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 2022

#### Future developments

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

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.
- As a result of significant input cost increases the company was forced to pass on these costs to customers and ultimately the consumers. Whilst delays gave rise to losses, this has ensured the longer-term ongoing profitability of the business as well as the company's ability to meet its ongoing obligations to suppliers and employees.

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 2022**

**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 everchanging 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.

*This report was approved by the board and signed on its behalf.*

.....  
**Mr D A Wood**  
Director

Date: 30 August 2023

**DAVID WOOD BAKING LIMITED**

**DIRECTORS' REPORT  
FOR THE YEAR ENDED 30 NOVEMBER 2022**

The directors present their report and the financial statements for the year ended 30 November 2022.

The financial statements are drawn up to the nearest Saturday to 30 November which falls on 26 November 2022 ("the financial year"). The comparative financial statements were prepared to 27 November 2021 ("the financial year").

**Principal activity**

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 loss for the year, after taxation, amounted to £3,074,184 (2021 - profit £965,755).

Ordinary dividends were paid amounting to £82,500 (2021 - £115,000). The directors do not recommend payment of a final dividend.

**Directors**

*The directors who served during the year were:*

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 £4,507,331 (2021 - £3,327,350). 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.*



**DAVID WOOD BAKING LIMITED**

**DIRECTORS' REPORT (CONTINUED)  
FOR THE YEAR ENDED 30 NOVEMBER 2022**

**Auditor**

The auditor, Armstrong Watson Audit Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

**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.

This report was approved by the board and signed on its behalf.

.....  
**Mr D A Wood**

Director

Date: 30 August 2023

**DAVID WOOD BAKING LIMITED**

**DIRECTORS' RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 30 NOVEMBER 2022**

The directors are responsible for preparing the Strategic report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements 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 to 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.

## DAVID WOOD BAKING LIMITED

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

#### Opinion

We have audited the financial statements of David Wood Baking Limited (the 'Company') for the year ended 30 November 2022, which comprise the Statement of comprehensive income, the Statement of financial position, the Statement of changes in equity and the related notes, 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 Financial Reporting Standard 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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council'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

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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.

**DAVID WOOD BAKING LIMITED**

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

**Opinion 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.

**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.

## DAVID WOOD BAKING LIMITED

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

#### 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience of the industry;
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management; and
- identified laws and regulations were communicated within the audit team regularly and the team remained alert to instances of non-compliance throughout the audit.

We assessed the susceptibility of the entity's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud; and
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships;
- tested journal entries to identify unusual transactions; and
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation; and
- enquiring of management as to actual and potential litigation and claims.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditor's report.

**DAVID WOOD BAKING LIMITED**

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

**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.

Matthew Osbourne (Senior statutory auditor)  
for and on behalf of  
**Armstrong Watson Audit Limited**  
Chartered Accountants  
Statutory Auditors  
Leeds

30 August 2023

## DAVID WOOD BAKING LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 NOVEMBER 2022

	Note	2022 £	2021 £
Turnover	4	172,793,214	136,961,310
Cost of sales		(148,324,179)	(111,812,884)
<b>Gross profit</b>		<b>24,469,035</b>	<b>25,148,426</b>
Distribution costs		(11,026,372)	(8,737,676)
Administrative expenses		(18,234,703)	(14,120,268)
Other operating income		86,499	634,471
Exceptional administrative expenses		863,442	(866,000)
<b>Operating (loss)/profit</b>	7	<b>(3,842,099)</b>	<b>2,058,953</b>
Interest payable and similar expenses	10	(1,214,786)	(654,929)
<b>(Loss)/profit before tax</b>		<b>(5,056,885)</b>	<b>1,404,024</b>
Tax on (loss)/profit	11	1,982,701	(438,269)
<b>(Loss)/profit for the financial year</b>		<b>(3,074,184)</b>	<b>965,755</b>
<b>Total comprehensive income for the year</b>		<b>(3,074,184)</b>	<b>965,755</b>

The notes on pages 15 to 39 form part of these financial statements.

**DAVID WOOD BAKING LIMITED**  
**REGISTERED NUMBER: 06541251**

**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 NOVEMBER 2022**

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Intangible assets	13	-	17,000
Tangible assets	14	53,626,113	45,635,363
		<u>53,626,113</u>	<u>45,652,363</u>
<b>Current assets</b>			
Stocks	15	7,332,670	6,289,422
Debtors: amounts falling due within one year	16	26,525,415	20,326,652
Cash at bank and in hand		4,705	2,039,820
		<u>33,862,790</u>	<u>28,655,894</u>
Creditors: amounts falling due within one year	17	(69,114,709)	(47,893,819)
<b>Net current liabilities</b>		<u>(35,251,919)</u>	<u>(19,237,925)</u>
<b>Total assets less current liabilities</b>		<u>18,374,194</u>	<u>26,414,438</u>
Creditors: amounts falling due after more than one year		(7,650,586)	(10,445,814)
<b>Provisions for liabilities</b>			
Deferred tax	21	(44,713)	(2,046,546)
Other provisions	22	(866,000)	(866,000)
		<u>(910,713)</u>	<u>(2,912,546)</u>
<b>Government grants</b>		-	(86,499)
<b>Net assets</b>		<u>9,812,895</u>	<u>12,969,579</u>
<b>Capital and reserves</b>			
Called up share capital	24	5,000,000	5,000,000
Revaluation reserve	25	1,403,693	540,251
Profit and loss account	25	3,409,202	7,429,328
		<u>9,812,895</u>	<u>12,969,579</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:

.....  
**Mr D A Wood**  
 Director

Date: 30 August 2023

The notes on pages 15 to 39 form part of these financial statements.



## DAVID WOOD BAKING LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 NOVEMBER 2022

	Called up share capital £	Revaluation reserve £	Profit and loss account £	Total equity £
<b>At 1 December 2020</b>	<b>5,000,000</b>	<b>555,210</b>	<b>6,563,614</b>	<b>12,118,824</b>
Profit for the year	-	-	965,755	965,755
Dividends: Equity capital	-	-	(115,000)	(115,000)
Transfers	-	(14,959)	14,959	-
<b>At 1 December 2021</b>	<b>5,000,000</b>	<b>540,251</b>	<b>7,429,328</b>	<b>12,969,579</b>
Loss for the year	-	-	(3,074,184)	(3,074,184)
<b>Contributions by and distributions to owners</b>				
Dividends: Equity capital	-	-	(82,500)	(82,500)
Transfer to/from profit and loss account	-	863,442	(863,442)	-
<b>At 30 November 2022</b>	<b>5,000,000</b>	<b>1,403,693</b>	<b>3,409,202</b>	<b>9,812,895</b>

The notes on pages 15 to 39 form part of these financial statements.

**DAVID WOOD BAKING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2022**

**1. General 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.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

**2.2 Financial Reporting Standard 102 - reduced disclosure exemptions**

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of David Wood Baking UK Limited as at 30 November 2022 and these financial statements may be obtained from 1 Calverley Road, Oulton, Leeds, LS26 8JD.

## DAVID WOOD BAKING LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2022

#### 2. Accounting policies (continued)

##### 2.3 Going concern

The financial statements have been prepared on a going concern basis notwithstanding net current liabilities of £35.2m and a loss for the year of £3.1m.

*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 stabilized since the year end and the business has generated profits in all periods to July 2023.

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 forecasts are met, then the forecasts suggest these facilities are sufficient for the company's ongoing needs to November 2024. Since November 2022 the business has been trading at profit levels consistent with or in excess of its forecasts;
- 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.

In the period November 2022 to July 2023, the directors are really pleased with the positive trading pattern. Site operating performance has increased 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 November 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 economic events on our input costs has presented a principal risk for the company in this last eighteen months. *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 or deflation and whether margins will be maintained.*

The directors are confident in the company's ability to achieve the forecast results and in each of the 8 months December 2022 to July 2023, the company has achieved the forecast profitability levels.

At 30 November 2022, the company had net current liabilities of £35.2m (2021: £19.2m).

Following a post year end refinancing referred to above, the company had utilised £40.9m of £41.1m borrowing facilities at the end of July 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  
FOR THE YEAR ENDED 30 NOVEMBER 2022**

**2. Accounting policies (continued)**

**2.3 Going concern (continued)**

The invoice finance and overdraft facilities are due for annual renewal in February 2024 and July 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.

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.

We have critically reviewed our forecasts site by site and monitor them against actual weekly and monthly performance. We have stress-tested various scenarios and the impact of a number of sensitivities on these forecasts principally based on loss of sales and further increases in costs.

In addition to the above measures that have been taken by the directors, the company retains the full support of its lenders. In August 2023, the company's bankers have agreed to formally waive its covenants and have intimated a willingness to do so again in the future. That being said, based on forecasts prepared by the directors, the board do not anticipate any further covenant breaches and expect the company to be able to operate within its available facilities. 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.

In conducting this review, the directors have considered whether material uncertainties might exist regarding the company's ability to continue as a going concern. While the process of forecasting future sales demand and input prices will always be inherently uncertain, the directors do not consider this uncertainty to be material to the company's ability to continue as a going concern.

Notwithstanding the uncertainties outlined above, strong trading performance from November 2022 to the date these financial statements are approved means the directors have a strong 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.

**2.4 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.

**DAVID WOOD BAKING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2022**

**2. Accounting policies (continued)**

**2.5 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.

**2.6 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.

**2.7 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.

**2.8 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.

**2.9 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.

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2022

2. Accounting policies (continued)

2.10 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.

2.11 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.

2.12 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.

**DAVID WOOD BAKING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2022**

**2. Accounting policies (continued)**

**2.13 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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**2.14 Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, .

Depreciation is provided on the following basis:

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

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

**2.15 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).

**2.16 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  
FOR THE YEAR ENDED 30 NOVEMBER 2022

2. Accounting policies (continued)

2.17 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.

2.18 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.



**DAVID WOOD BAKING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2022**

**2. Accounting policies (continued)**

**2.18 Financial instruments (continued)**

***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.

***Derecognition of financial liabilities***

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

**2.19 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.

**2.20 Dividends**

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

**DAVID WOOD BAKING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2022**

**3. Judgements in applying accounting policies 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 August 2022, as disclosed in note 14.

**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.

***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 14 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 15 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 17.

## DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2022

## 4. Turnover

An analysis of turnover by class of business is as follows:

	2022 £	2021 £
Manufacture of breads, confectionary items and savoury products	172,793,214	136,961,310
	<u>172,793,214</u>	<u>136,961,310</u>

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	172,015,107	136,153,670
Rest of Europe	778,107	807,640
	<u>172,793,214</u>	<u>136,961,310</u>

## 5. Exceptional Items

	2022 £	2021 £
<b>Expenditure</b>		
Health and Safety breach	-	866,000
Surplus on revaluation of tangible fixed assets	(863,442)	-
	<u>(863,442)</u>	<u>866,000</u>

The exceptional item above relates to the surplus on the revaluation of freehold property. See note 14 for more details.

The exceptional item in the prior year relates to a material fine in respect of health and safety regulation breaches as explained further in note 22.

## DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2022

## 6. Employees

Staff costs, including directors' remuneration, were as follows:

	2022 £	2021 £
Wages and salaries	45,271,563	37,167,952
Social security costs	4,079,398	3,140,044
Pension costs	710,236	625,786
	<u>50,061,197</u>	<u>40,933,782</u>

The average monthly number of employees, including the directors, during the year was as follows:

	2022 No.	2021 No.
Direct	1,282	1,302
Transport	29	77
Management	106	56
Technical and quality assurance	164	140
Administrative	267	70
	<u>1,848</u>	<u>1,645</u>

## 7. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2022 £	2021 £
Research & development costs	103,441	35,896
Government grants (note 23)	(86,499)	(634,471)
Depreciation of owned tangible fixed assets	3,605,224	3,180,095
Depreciation of tangible fixed assets held under finance leases	583,152	766,104
Profit on disposal of tangible fixed assets	(45,457)	(15,016)
Amortisation of intangible assets	15,000	2,000
Operating lease charges	<u>1,198,446</u>	<u>958,723</u>

The total costs for research and development amounted to £4,507,331 (2021 - £3,846,124). The research and development costs not included above are found within the wages and salaries figure in note 6, totalling £4,403,891 (2021 - £3,810,228).

## DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2022

## 8. Directors' remuneration

	2022 £	2021 £
Remuneration for qualifying services	<u>21,170</u>	<u>17,256</u>

## 9. Auditor's remuneration

	2022 £	2021 £
Fees payable to the Company's auditor and its associates for the audit of the Company's financial statements	50,000	45,000
<i>Fees payable to the Company's auditor and its associates in respect of:</i>		
Taxation compliance services	-	3,000
Other taxation services	-	1,500
All other non-audit services	<u>5,000</u>	<u>6,050</u>

## 10. Interest payable and similar expenses

	2022 £	2021 £
Interest on bank overdrafts and loans	50,771	65,327
Other interest on financial liabilities	5,942	57,392
Interest on finance leases and hire purchase contracts	530,485	249,700
Interest on other loans	627,588	282,510
	<u>1,214,786</u>	<u>654,929</u>

## DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2022

## 11. Taxation

	2022 £	2021 £
<b>Corporation tax</b>		
Adjustments in respect of previous periods	19,132	15,632
	<u>19,132</u>	<u>15,632</u>
<b>Total current tax</b>	<u>19,132</u>	<u>15,632</u>
<b>Deferred tax</b>		
<i>Origination and reversal of timing differences</i>	(1,943,756)	(79,650)
Changes to tax rates	(58,077)	510,287
Adjustment in respect of prior periods	-	(8,000)
	<u>(2,001,833)</u>	<u>422,637</u>
<b>Total deferred tax</b>	<u>(2,001,833)</u>	<u>422,637</u>
<b>Taxation on (loss)/profit on ordinary activities</b>	<u>(1,982,701)</u>	<u>438,269</u>

## DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2022

## 11. Taxation (continued)

## Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - higher than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
(Loss)/profit on ordinary activities before tax	<u>(5,056,884)</u>	<u>1,404,024</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(960,808)	266,765
<b>Effects of:</b>		
Expenses not deductible for tax purposes	(41,076)	181,240
Fixed asset differences	(489,679)	(508,539)
Adjustments to tax charge in respect of prior periods	19,132	15,632
Remeasurement of deferred tax for changes in tax rate	(452,193)	491,171
Deferred tax adjustment in respect of prior years	(58,077)	(8,000)
<b>Total tax charge for the year</b>	<u><b>(1,982,701)</b></u>	<u><b>438,269</b></u>

## Factors that may affect future tax charges

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 and the effect of this change is included in the reconciliation above.

## 12. Dividends

	2022 £	2021 £
Interim paid	82,500	115,000
	<u>82,500</u>	<u>115,000</u>

## DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2022

## 13. Intangible assets

	Negative goodwill £	Patents £	Total £
<b>Cost</b>			
At 1 December 2021	(1,464,110)	25,000	(1,439,110)
Disposals	1,464,110	(20,000)	1,444,110
At 30 November 2022	-	5,000	5,000
<b>Amortisation</b>			
At 1 December 2021	(1,464,110)	8,000	(1,456,110)
Charge for the year on owned assets	-	1,500	1,500
On disposals	1,464,110	(4,500)	1,459,610
At 30 November 2022	-	5,000	5,000
<b>Net book value</b>			
At 30 November 2022	-	-	-
At 30 November 2021	-	17,000	17,000

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. In a prior year, the Flint site was sold so the directors have made the decision to remove the negative goodwill.

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  
FOR THE YEAR ENDED 30 NOVEMBER 2022

## 14. Tangible fixed assets

	Freehold property	Long-term leasehold property	Plant and machinery	Motor vehicles	Fixtures and fittings	Total
	£	£	£	£	£	£
<b>Cost or valuation</b>						
At 1 December 2021	2,521,095	2,280,726	60,612,713	1,266,003	2,788,949	69,469,486
Additions	-	-	11,589,142	98,733	11,344	11,699,219
Disposals	-	-	(431,699)	-	-	(431,699)
Revaluations	625,000	-	-	-	-	625,000
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 November 2022	3,146,095	2,280,726	71,770,156	1,364,736	2,800,293	81,362,006
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>						
At 1 December 2021	204,112	796,942	19,690,379	687,822	2,454,868	23,834,123
Charge for the year on owned assets	58,369	107,119	3,627,371	261,310	134,207	4,188,376
Disposals	-	-	(48,164)	-	-	(48,164)
On revalued assets	(238,442)	-	-	-	-	(238,442)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30 November 2022	24,039	904,061	23,269,586	949,132	2,589,075	27,735,893
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>						
At 30 November 2022	<u>3,122,056</u>	<u>1,376,665</u>	<u>48,500,570</u>	<u>415,604</u>	<u>211,218</u>	<u>53,626,113</u>
At 30 November 2021	<u>2,316,984</u>	<u>1,483,784</u>	<u>40,922,333</u>	<u>578,181</u>	<u>334,081</u>	<u>45,635,363</u>
At 30 November 2021						

## DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2022

## 14. Tangible fixed assets (continued)

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2022 £	2021 £
Plant and machinery	11,974,873	10,899,925
Motor vehicles	399,290	241,202
	<u>12,374,163</u>	<u>11,141,127</u>
	2022 £	2021 £
Depreciation charge for the year in respect of leased assets	<u>583,152</u>	<u>766,104</u>

Computer equipment is presented within plant and machinery.

Freehold land and buildings of £3,122,056 (2021 - £2,316,983) includes revalued property with a carrying value of £3,100,961 (2021 - £2,295,888), based on a valuation undertaken by an external independent valuer on 10 August 2022. The directors have determined that this valuation provides a reasonable approximation of the fair value of the freehold land and buildings at 30 November 2022.

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:

	2022 £	2021 £
Cost	1,826,800	1,826,800
Accumulated depreciation	283,154	246,618
	<u>1,543,646</u>	<u>1,580,182</u>

Freehold land and buildings with a carrying amount of £3,100,961 (2021 - £2,295,888) 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 £nil (2021 - £19,053,151). Assets transferred to plant and machinery in the year amounted to £19,053,151 (2021 - £nil). Depreciation is recognised in profit or loss when the assets become available for use. The plant and machinery 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  
FOR THE YEAR ENDED 30 NOVEMBER 2022

## 15. Stocks

	2022 £	2021 £
Raw materials and consumables	5,041,195	4,374,949
Finished goods and goods for resale	2,291,475	1,914,473
	<u>7,332,670</u>	<u>6,289,422</u>

## 16. Debtors

	2022 £	2021 £
<b>Amounts falling due within one year:</b>		
Trade debtors	24,271,689	17,064,685
Amounts owed by group undertakings	91,596	91,596
Other debtors	2,047,451	2,961,326
Prepayments and accrued income	114,679	209,045
	<u>26,525,415</u>	<u>20,326,652</u>

## 17. Creditors: Amounts falling due within one year

	2022 £	2021 £
Bank overdrafts	3,456,512	-
Bank loans	2,181,550	1,477,837
Obligations under finance lease and hire purchase contracts	3,762,259	2,692,578
Other loans	21,829,985	14,343,887
Trade creditors	24,391,261	20,818,729
Other taxation and social security	2,026,900	1,762,620
Other creditors	991,373	1,162,151
Accruals and deferred income	10,474,869	5,636,017
	<u>69,114,709</u>	<u>47,893,819</u>

**DAVID WOOD BAKING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2022**

**18. Creditors: Amounts falling due after more than one year**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Bank loans	<b>1,054,662</b>	3,273,535
Net obligations under finance leases and hire purchase contracts	<b>5,460,081</b>	5,719,525
Other loans	<b>1,135,843</b>	1,452,754
	<b><u>7,650,586</u></b>	<b><u>10,445,814</u></b>

**19. Borrowings**

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Bank loans	<b>3,236,212</b>	4,751,372
Other loans	<b>22,883,328</b>	15,796,641
	<b><u>26,119,540</u></b>	<b><u>20,548,013</u></b>

## DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2022

	2022 £	2021 £
Payable within one year	23,929,035	15,821,724
Payable after one year	2,190,505	4,726,289
	<u>26,119,540</u>	<u>20,548,013</u>

Bank loans of £3,236,212 (2021 - £4,751,372) and an invoice discounting facility of £20,030,901 (2021 - £13,476,038), 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 £1,374,675 (2021 - £1,634,817), asset loans of £403,203 (2021 - £783,222) and loans under the Coronavirus Large Business Interruption Loan Scheme of £1,458,334 (2021 - £2,333,333).

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 with a final payment due in July 2024.

Asset loans of £Nil (2021 - £61,000) and £Nil (2021 - £100,000) 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 were repaid in full in May 2022 and September 2022 respectively.

Asset loans of £403,203 (2021- £622,222) 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 £1,458,334 (2021 - £2,333,333) which incurs interest at 1.9% over Bank of England base rate. The loan is repayable in monthly repayments of £72,917 until the facility is repaid.

Included within other loans are pension scheme loans of £2,448,568 (2021 - £2,320,603). Pension scheme loans incur interest ranging from 1.5-3% and are secured against the assets of the company. The loans are repayable in annual repayments and are due to be repaid between March 2023 and March 2027.

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  
FOR THE YEAR ENDED 30 NOVEMBER 2022

## 20. Finance lease obligations

Minimum lease payments under hire purchase fall due as follows:

	2022 £	2021 £
Less than one year	3,762,259	2,692,579
Between one and five years	5,460,081	5,719,524
	<u>9,222,340</u>	<u>8,412,103</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%.

## 21. Deferred taxation

	2022 £
At beginning of year	2,046,546
Charged to profit or loss	(2,001,833)
At end of year	<u>44,713</u>

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	7,323,990	4,814,814
Tax losses	(7,674,982)	(3,000,099)
Other short term timing differences	(7,494)	(15,118)
Fair value uplift	403,199	246,949
	<u>44,713</u>	<u>2,046,546</u>

## DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2022

## 22. Provisions

Health and  
Safety breach  
£

At 1 December 2021

866,000

At 30 November 2022

866,000

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 health 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 December 2022, 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.

## 23. Government grants

Included within other operating income is £Nil (2021 - £628,805) 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 (2021 - £Nil) in relation to the scheme.

Also included with other operating income is £86,499 (2021 - £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 £Nil (2021 - £86,499).

## 24. Share capital

	2022 £	2021 £
<b>Allotted, called up and fully paid</b>		
5,000,000 (2021 - 5,000,000) Ordinary shares of £1.00 each	<u>5,000,000</u>	<u>5,000,000</u>

*Ordinary share rights*

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

## DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2022

## 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 £Nil (2021 - £14,959) 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.

## 26. Capital commitments

Amounts contracted for but not provided in the financial statements:

	2022 £	2021 £
Acquisition of tangible fixed assets	<u>-</u>	<u>242,052</u>

## 27. Retirement benefit scheme

	2022 £	2021 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>710,236</u>	<u>625,786</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 £8,456 (2021- £17,105) 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  
FOR THE YEAR ENDED 30 NOVEMBER 2022**28. Commitments under operating leases**

At 30 November 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Within one year	1,211,461	1,101,433
Between two and five years	1,264,335	1,642,573
	<u>2,475,796</u>	<u>2,744,006</u>

**29. 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 £1,033,040 (2021 - £1,091,640) at the period end date.

**30. 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 £183,833 (2021 - £119,333) on premises owned by the David Wood Pension Scheme. Other borrowings include an amount of £2,448,568 (2021 - £2,320,602) (split £1,312,725 (2021 - £867,849) due within one year and £1,135,843 (2021 - £1,452,754) due after one year) in respect of a loan from the David Wood Pension Scheme. Interest of £41,168 (2021 - £41,189) was charged on this loan during the year.

During the year the company paid rent of £143,000 (2021 - £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 £752,380 (2021 - £727,880) owed to Mr D A Wood. Interest is charged and paid of 1.67% on this balance and £11,000 (2021 - £10,817) was charged and paid during the period. The loan is unsecured and net drawdowns of £24,500 (2021 - net repayments of £48,000) were made during the year.

During the year the company paid rent of £290,063 (2021 - £323,126) 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 £266,021 (2021 - £328,952) due from D A Wood and Sons Ltd. Net repayments of £62,931 were made by D A Wood and Sons Ltd during the year (2021 - £1,546). The balance is interest free and repayable on demand.

During the year the company made sales of £10,559,526 (2021 - £8,344,572) to S&PB Retail Limited and purchases of £961,517 (2021 - £558,721) 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 £885,563 (2021 - £475,790) due from S&PB Retail Limited. Included in creditors is £880,617 (2021 - £86,920) due to S&PB Retail Limited.

**DAVID WOOD BAKING LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 NOVEMBER 2022**

**31. 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.

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