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Company Registration No. 06665444 (England and Wales)

**DAVID WOOD BAKING UK LIMITED**  
**REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED**  
**30 NOVEMBER 2019**

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# DAVID WOOD BAKING UK LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	Mrs K Wood Mr D A Wood
<b>Secretary</b>	Mrs K Wood
<b>Company number</b>	06665444
<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 UK LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 30 NOVEMBER 2019

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The directors present the strategic report for the year ended 30 November 2019.

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

The group'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 group'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 group's activities in the next year.

The group 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 group's income statement on page 9, the company's sales have increased by 15.6% from £98,006,845 in 2018 to £113,306,971 in 2019, whilst operating profit has improved from £1,101,820 to £3,665,740. The group continues to offset strong competitive action by enhancing margins wherever possible through a relentless drive for operational improvement across all our producing sites. The slight improvement from last year is attributable to better labour efficiencies. Action plans for improved performance at all sites are in place and good progress is being made. The company has invested 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 has resulted in improved profits and will continue to show improvements as individual projects are completed.

The group statement of financial position on page 10 of the financial statements shows that the group's financial position at the year end has improved, with net assets increasing from £6,528,647 in 2018, to £8,754,047 in 2019 and cash at bank and in hand increasing from £563,784 in 2018, to £2,549,507 in 2019. Working capital has also reduced, and the company manages its working capital and operations efficiently to generate strong cash-flows.

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

#### **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 group 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 UK LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2019

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#### Principal risks and uncertainties

The ongoing global coronavirus pandemic has emerged as a principal risk for the group post year end. The welfare of staff is of paramount concern to the company, therefore the board has also taken positive steps to ensure that the company is able to continue to operate effectively, whilst also ensuring on the ongoing welfare of its staff. We are fortunate that our business operates over multiple sites and so we are able to shift production requirements between those sites as required.

The group's operating revenue is derived wholly from the manufacture and sale of breads, confectionary items and savoury products to the food service industry in the UK and Ireland. A number of food service clients closed following government guidelines issued on the 23 March 2020. This initially resulted in a drop in revenue in our retail client base. In comparison, demand from our supermarket clients has increased which partially offsets the drop in production volumes and revenues to our food service customers. Since the announcement of the easing of restrictions in the UK economy from 15 June 2020, the group has increased activity with the retail client base as high street outlets began to open throughout June 2020.

In the first 7 months of trading in the new financial year to the end of June 2020, the company has reported double digit growth in sales and a significant increase in profits over the equivalent period in the reporting year.

The directors have taken steps to reduce the business running costs in the short term and to preserve cash flow. The group has secured additional funding totalling £3.5m from its bankers in the form of a £3.5m loan under facility in the form of the Coronavirus Large Business Interruption Loan Scheme ("CLBILS"). The funds are being used to help pay suppliers early where they require us to do so and to ensure the company is able to continue to manage the uncertainties created by the pandemic.

Whilst securing this additional funding, the directors have also reconsidered their financial forecasts, to consider if the group will be able to meet its liabilities as they fall due. In producing their forecasts, the directors have made several key estimates such as the period of time over which trading conditions are likely to be impacted, the level of demand from customers in the short to medium term including a consideration of volumes as UK restrictions are lifted, the availability of employees who may be self isolating and the continued supply of key raw materials.

The most recently revised forecasts show that the company expects to meet its liabilities as they fall due for the foreseeable future and to stay within agreed borrowing limits on banking facilities. In response to the COVID 19 outbreak and the resulting increase in business failures, the levels of insured trade credit has been reduced. This has resulted in the company paying a number of suppliers earlier than agreed terms. The new CLBILS facility is helping in this regard. As part of the CLBILS application process, the directors have notified the funding provider of the revised forecasted outlook. During this process, the bank has waived compliance with the debt service covenant on these facilities from lockdown and through the remainder of the current trading year. The coronavirus pandemic has presented the business with a number of challenges to maintain profitability in response to the changing eating and buying habits in the UK. Production across the 8 manufacturing sites has been rebalanced to reflect these new habits & the impact on our customer demand. The company reduced staffing at several sites and has made use of government grant support. The company believes the measures taken have been effective and will not prevent it reporting a much improved performance in the year. Full year forecasts for the current year show sales up nearly 10% & pre-tax profits up over 30% on the reporting period under review.

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 we serve. The company sets margin targets based on cost assumptions for a site as well as capacity opportunities at each site but will not commit to contracts unless the margins are acceptable to it. The group 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.

# DAVID WOOD BAKING UK LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2019

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The group 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 group does little business outside the UK, currency risk is not a significant issue in risk management.

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

Price risk - The group uses a range of suppliers for each area of provision to ensure that market prices for purchases are achieved. In some cases escalation clauses are contained within sales contracts.

Credit risk - The company mainly trades with long standing customers. The nature of these relationships assist management in controlling its credit risk. The group 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.

#### Future developments

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

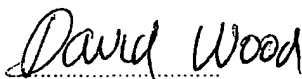
The company has continued to invest heavily in capital projects to reduce labour costs, increase capacity and widen the range of products that the business can manufacture. This will improve profits as individual projects are completed.

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

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

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

On behalf of the board



Mr D A Wood

Director

3 August 2020

# DAVID WOOD BAKING UK LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 NOVEMBER 2019

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The directors present their annual report and financial statements for the year ended 30 November 2019.

The financial statements are drawn up to the nearest Saturday to 30 November which falls on 30 November 2019 ("the financial year"). The comparative financial statements were prepared to 1 December 2018 ("the financial year").

#### Principal activities

The group'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 group'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 group's activities in the next year.

#### Directors

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

Mrs K Wood  
Mr D A Wood

#### Results and dividends

The results for the year are set out on page 9.

Ordinary dividends were paid amounting to £50,000 (2018 - £84,000). The directors do not recommend payment of a further dividend.

#### Qualifying third party indemnity provisions

The group 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 group incurred costs in relation to research and development amounting £5,397,192 (2018 - £4,334,175). Costs have been expensed to the profit and loss account when incurred.

#### Post reporting date events

Following the year end, the group's activities have been impacted by the global coronavirus pandemic. Our customer base has been forced to close their retail sites from the 24 March 2020 until 15 June 2020, as directed by the UK Government. Sales levels are now beginning to increase again. Whilst the precise impact of the pandemic is still uncertain, the directors have re-forecast cash flows for the foreseeable future to take into account expected outcomes. The group has also secured additional funding, further details of which are provided in the strategic report.

# DAVID WOOD BAKING UK LIMITED

## DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2019

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### 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 group continues and that the appropriate training is arranged. It is the policy of the group 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 group 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 group 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.

### 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 the directors are aware, there is no relevant audit information of which the group's auditor is unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditor is aware of that information.

On behalf of the board



Mr D A Wood  
Director

Date: 3/8/2020

# **DAVID WOOD BAKING UK LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT**

### **FOR THE YEAR ENDED 30 NOVEMBER 2019**

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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 group and company, and of the profit or loss of the group 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and 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 UK LIMITED**

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## **Opinion**

We have audited the financial statements of David Wood Baking UK Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 November 2019 which comprise the consolidated income statement, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows 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 group's and of the parent company's affairs as at 30 November 2019 and of the group's profit 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 group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## **Conclusions relating to going concern**

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

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

## **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of our 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 UK 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 group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 6, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



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

4 August 2020

# DAVID WOOD BAKING UK LIMITED

## CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 NOVEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	113,306,971	98,006,845
Cost of sales		(91,586,479)	(80,831,122)
<b>Gross profit</b>		<b>21,720,492</b>	<b>17,175,723</b>
Distribution costs		(6,244,919)	(5,937,744)
Administrative expenses		(11,871,322)	(10,209,809)
Other operating income		61,489	73,650
<b>Operating profit</b>	6	<b>3,665,740</b>	<b>1,101,820</b>
Interest payable and similar expenses	8	(828,653)	(689,933)
<b>Profit on ordinary activities before taxation</b>		<b>2,837,087</b>	<b>411,887</b>
Taxation	9	(561,687)	(176,991)
<b>Profit for the financial year</b>	27	<b>2,275,400</b>	<b>234,896</b>

## DAVID WOOD BAKING UK LIMITED

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 NOVEMBER 2019

	Notes	2019 £	£	2018 £	£
<b>Fixed assets</b>					
Negative goodwill	11	-	-	-	-
Intangible assets	11	-	-	-	-
Total intangible assets		-	-	-	-
Tangible assets	12	23,707,285		22,513,661	
		23,707,285		22,513,661	
<b>Current assets</b>					
Stocks	15	6,170,040		6,015,100	
Debtors	16	23,371,536		17,356,975	
Cash at bank and in hand		2,549,507		563,784	
		32,091,083		23,935,859	
<b>Creditors: amounts falling due within one year</b>	17	(40,319,593)		(33,978,708)	
<b>Net current liabilities</b>		(8,228,510)		(10,042,849)	
<b>Total assets less current liabilities</b>		15,478,775		12,470,812	
<b>Creditors: amounts falling due after more than one year</b>	18	(5,311,126)		(5,050,565)	
<b>Provisions for liabilities</b>	22	(1,315,771)		(732,280)	
<b>Government grants</b>	24	(97,831)		(159,320)	
<b>Net assets</b>		8,754,047		6,528,647	
<b>Capital and reserves</b>					
Called up share capital	26	4,550,004		4,550,004	
Revaluation reserve	27	817,798		834,542	
Profit and loss reserves	27	3,386,245		1,144,101	
<b>Total equity</b>		8,754,047		6,528,647	

The financial statements were approved by the board of directors and authorised for issue on 3/8/2020 and are signed on its behalf by:

*David Wood*

Mr D A Wood  
Director

**DAVID WOOD BAKING UK LIMITED****COMPANY STATEMENT OF FINANCIAL POSITION****AS AT 30 NOVEMBER 2019**

	Notes	2019 £	£	2018 £	£
<b>Fixed assets</b>					
Investments	13		5,000,001		5,000,001
<b>Creditors: amounts falling due within one year</b>	17				
		(91,598)		(41,598)	
<b>Net current liabilities</b>			(91,598)		(41,598)
<b>Total assets less current liabilities</b>			4,908,403		4,958,403
<b>Capital and reserves</b>					
Called up share capital	26		4,550,004		4,550,004
Profit and loss reserves	27		358,399		408,399
<b>Total equity</b>			4,908,403		4,958,403

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes as it prepares group accounts. The company's result for the year was £nil (2018 - £nil).

The financial statements were approved by the board of directors and authorised for issue on 3/2/2020 and are signed on its behalf by:



Mr D A Wood  
Director

# DAVID WOOD BAKING UK LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 NOVEMBER 2019

	Notes	Share capital £	Revaluation reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 December 2017</b>		4,550,004	851,286	976,461	6,377,751
<b>Year ended 30 November 2018:</b>					
Profit and total comprehensive income for the year		-	-	234,896	234,896
Dividends	10	-	-	(84,000)	(84,000)
Transfers	27	-	(16,744)	16,744	-
<b>Balance at 30 November 2018</b>		4,550,004	834,542	1,144,101	6,528,647
<b>Year ended 30 November 2019:</b>					
Profit and total comprehensive income for the year		-	-	2,275,400	2,275,400
Dividends	10	-	-	(50,000)	(50,000)
Transfers	27	-	(16,744)	16,744	-
<b>Balance at 30 November 2019</b>		4,550,004	817,798	3,386,245	8,754,047

# DAVID WOOD BAKING UK LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 NOVEMBER 2019

	Notes	Share capital £	Profit and loss reserves £	Total £
<b>Balance at 1 December 2017</b>		4,550,004	492,399	5,042,403
<b>Year ended 30 November 2018:</b>				
Profit and total comprehensive income for the year		-	-	-
Dividends	10	-	(84,000)	(84,000)
<b>Balance at 30 November 2018</b>		4,550,004	408,399	4,958,403
<b>Year ended 30 November 2019:</b>				
Profit and total comprehensive income for the year		-	-	-
Dividends	10	-	(50,000)	(50,000)
<b>Balance at 30 November 2019</b>		4,550,004	358,399	4,908,403

# DAVID WOOD BAKING UK LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 NOVEMBER 2019

	Notes	2019 £	£	2018 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	34	3,148,339		6,514,897	
Income taxes paid		(107,197)		(160,652)	
<b>Net cash inflow from operating activities</b>		<u>3,041,142</u>		<u>6,354,245</u>	
<b>Investing activities</b>					
Purchase of tangible fixed assets		(3,492,164)		(3,368,587)	
Proceeds on disposal of tangible fixed assets		30,604		1,300	
<b>Net cash used in investing activities</b>		<u>(3,461,560)</u>		<u>(3,367,287)</u>	
<b>Financing activities</b>					
Proceeds from borrowings		1,328,626		260,000	
Repayment of borrowings		(224,846)		(156,239)	
Movement in invoice financing liability		4,044,971		(329,779)	
Repayment of bank loans		(818,169)		(878,509)	
Interest paid		(828,653)		(689,933)	
Payment of finance leases obligations		(1,045,788)		(740,242)	
Dividends paid to equity shareholders		(50,000)		(84,000)	
<b>Net cash generated from/(used in) financing activities</b>		<u>2,406,141</u>		<u>(2,618,702)</u>	
<b>Net increase in cash and cash equivalents</b>		<u>1,985,723</u>		<u>368,256</u>	
Cash and cash equivalents at beginning of year		563,784		195,528	
<b>Cash and cash equivalents at end of year</b>		<u><u>2,549,507</u></u>		<u><u>563,784</u></u>	



# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2019

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### 1 Accounting policies

#### Company information

David Wood Baking UK 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 group consists of David Wood Baking UK Limited and all of its subsidiaries.

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

#### Accounting convention

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

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

The financial statements are drawn up to the nearest Saturday to 30 November which falls on 30 November 2019 ("the financial year"). Comparative figures are for the year ended 1 December 2018.

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

The 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 for parent company information presented within the consolidated financial statements:

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

#### Basis of consolidation

The consolidated financial statements incorporate those of David Wood Baking UK Limited and all of its subsidiaries (i.e. entities that the group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the year are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 30 November 2019. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2019

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#### 1 Accounting policies (Continued)

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

##### **Going concern**

During March 2020, subsequent to the company's year end, the spread of coronavirus caused significant disruption to the worldwide economy. Coronavirus continues to impact the company, principally related to a fall in demand from customers while customers have been forced to close retail sites and their re-opening has commenced on a phased basis only.

The directors have prepared detailed forecasts which have been revised to consider the impact of the ongoing coronavirus pandemic. In producing these forecasts, the directors have made several key estimates such as the period of time over which trading conditions are likely to be impacted, the level of demand from customers in the short to medium term including a consideration of volumes as UK restrictions are lifted, the availability of employees who may be self-isolating and the continued supply of key raw materials. Sensitised forecasts have also been prepared taking into account the likelihood of a second lockdown with a similar financial effect to the one previously experienced with a return of trading conditions in December 2020. As part of arranging the additional overdraft and CLBILS facility, the directors have notified the funding provider of the sensitised forecasts, and the company's bankers have waived compliance with the debt service covenant. Should the impact of the pandemic be worse than anticipated, the directors have identified actions that could be taken where necessary.

Taking into account the revised forecasts, sensitivities, waived compliance with the debt service covenant and additional secured finance from our funding providers, the directors have a reasonable expectation that the company will be able to continue to meet its liabilities as they fall due for the foreseeable future for a period of at least 12 months from the signing of the financial statements.

##### **Turnover**

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

##### **Other Income**

###### *Grant Income*

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

##### **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.

##### **Intangible fixed assets - goodwill**

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

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2019

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#### 1 Accounting policies (Continued)

##### **Intangible fixed assets other than goodwill**

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

##### **Tangible fixed assets**

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

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

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

Freehold land is not depreciated.

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

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

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

##### **Fixed asset investments**

In the separate accounts of the company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

##### **Impairment of fixed assets**

At each reporting period end date, the group 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).

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2019

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### 1 Accounting policies (Continued)

#### **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.

#### **Cash and cash equivalents**

Cash and cash equivalents are basic financial instruments and include cash in hand and deposits held at call with banks.

#### **Financial instruments**

The group 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 group becomes party to the contractual provisions of the instrument.

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

#### **Basic financial assets**

Basic financial assets, which include trade and other debtors and 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 group 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 UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2019

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#### 1 Accounting policies (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 group after deducting all of its liabilities.

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

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

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

##### ***Borrowings***

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

##### ***Derecognition of financial liabilities***

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

##### ***Equity instruments***

Equity instruments issued by the group 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 group.

##### ***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.

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2019

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#### 1 Accounting policies (Continued)

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.

#### 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

The group operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account. Past service cost is recognised as an expense immediately.

#### Leases

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the statement of comprehensive income 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 leased asset are consumed.

#### Government grants

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

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2019

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#### 1 Accounting policies (Continued)

##### **Foreign exchange**

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

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

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

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

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

#### 2 Judgements and key sources of estimation uncertainty

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

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

##### **Critical judgements**

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

##### **Lease classification**

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

##### **Property valuation**

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

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2019

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

##### **Key sources of estimation uncertainty**

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

##### ***Impairment of tangible fixed assets***

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

##### ***Measurement of stock***

The group 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 group 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.

#### 3 Turnover

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

	2019 £	2018 £
<b>Turnover analysed by class of business</b>		
Manufacture of breads, confectionary items and savoury products	113,306,971	98,006,845
<b>Turnover analysed by geographical market</b>		
	2019 £	2018 £
United Kingdom	112,060,585	96,968,559
Rest of Europe	1,246,386	1,038,286
	113,306,971	98,006,845



# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2019

### 4 Employees

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

	<b>Group 2019 Number</b>	<b>2018 Number</b>	<b>Company 2019 Number</b>	<b>2018 Number</b>
Direct	1,133	1,014	-	-
Transport	61	56	-	-
Management	49	55	-	-
Technical and quality assurance	122	113	-	-
Administration	61	63	-	-
	<u>1,426</u>	<u>1,301</u>	<u>-</u>	<u>-</u>

Their aggregate remuneration comprised:

	<b>Group 2019 £</b>	<b>2018 £</b>	<b>Company 2019 £</b>	<b>2018 £</b>
Wages and salaries	30,099,065	26,412,164	-	-
Social security costs	2,457,917	2,200,774	-	-
Pension costs	504,267	349,496	-	-
	<u>33,061,249</u>	<u>28,962,434</u>	<u>-</u>	<u>-</u>

### 5 Directors' remuneration

	<b>2019 £</b>	<b>2018 £</b>
Remuneration for qualifying services	<u>19,672</u>	<u>19,004</u>

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2019

### 6 Operating profit

	2019 £	2018 £
Operating profit for the year is stated after charging/(crediting):		
Exchange gains	-	(22,155)
Research and development costs	21,165	36,849
Government grants (note 24)	(61,489)	(73,650)
Depreciation of owned tangible fixed assets	2,660,260	2,355,799
Depreciation of tangible fixed assets held under finance leases	687,657	635,686
Profit on disposal of tangible fixed assets	(9,700)	(1,298)
Cost of stocks recognised as an expense	52,759,686	46,459,400
Operating lease charges	842,523	528,351

The total costs for research and development amounted to £5,397,192 (2018 - £4,334,175). The research and development costs not included above are found within the wages and salaries figure in note 4, totalling £5,376,027 (2018 - £4,297,326).

### 7 Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and its associates:		
<b>For audit services</b>		
Audit of the financial statements of the group and company	37,550	35,500
<b>For other services</b>		
Taxation compliance services	3,000	3,000
Other taxation services	1,500	1,500
All other non-audit services	5,250	5,000
	9,750	9,500

### 8 Interest payable and similar expenses

	2019 £	2018 £
Interest on bank overdrafts and loans	73,030	83,392
Other interest on financial liabilities	186,684	94,978
Interest on finance leases and hire purchase contracts	146,251	141,840
Interest on other loans	422,688	369,723
	828,653	689,933

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2019

### 9 Taxation

	2019 £	2018 £
<b>Current tax</b>		
Adjustments in respect of prior periods	(21,804)	(170,183)
<b>Deferred tax</b>		
Origination and reversal of timing differences	581,439	182,170
Changes in tax rates	(1,856)	(1,785)
Adjustment in respect of prior periods	3,908	166,789
Total deferred tax	583,491	347,174
Total tax charge	561,687	176,991

In his Budget in March 2020, the Chancellor announced that the rate of corporation tax would remain at 19% from 1 April 2020 rather than the rate of 17% which had previously been substantially enacted. As result of this change there will be an additional deferred tax charge in future periods.

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:

	2019 £	2018 £
Profit before taxation	2,837,087	411,887
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	539,047	78,259
Tax effect of expenses that are not deductible in determining taxable profit	111,319	125,452
Adjustments in respect of prior years	(21,804)	(170,183)
Effect of change in corporation tax rate	(70,289)	(23,326)
Deferred tax adjustments in respect of prior years	3,908	166,789
Tax outstanding	(494)	-
Tax expense/(income) for the year	561,687	176,991

### 10 Dividends

	2019 £	2018 £
Final paid	50,000	84,000

Dividends paid in the year amounted to £0.01 (2018 - £0.02) per Ordinary share.

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2019

### 11 Intangible fixed assets

Group	Negative goodwill £	Patents £	Total £
<b>Cost</b>			
At 1 December 2018 and 30 November 2019	(1,464,110)	5,000	(1,459,110)
<b>Amortisation and impairment</b>			
At 1 December 2018 and 30 November 2019	(1,464,110)	5,000	(1,459,110)
<b>Carrying amount</b>			
At 1 December 2018 and 30 November 2019	-	-	-

The company had no intangible fixed assets at 30 November 2019 or 30 November 2018.

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

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2019

### 12 Tangible fixed assets

Group	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 2018	4,021,095	2,287,289	27,022,924	2,562,253	648,939	36,542,500
Additions	-	-	4,238,232	113,369	210,844	4,562,445
Disposals	-	-	(20,220)	-	(115,280)	(135,500)
Adjustment	-	(6,563)	-	-	-	(6,563)
At 30 November 2019	4,021,095	2,280,726	31,240,936	2,675,622	744,503	40,962,882
<b>Depreciation and impairment</b>						
At 1 December 2018	80,000	429,172	11,295,921	1,689,539	534,207	14,028,839
Depreciation charged in the year	82,631	149,738	2,727,385	307,344	80,819	3,347,917
Eliminated in respect of disposals	-	-	(5,886)	-	(115,273)	(121,159)
At 30 November 2019	162,631	578,910	14,017,420	1,996,883	499,753	17,255,597
<b>Carrying amount</b>						
At 30 November 2019	3,858,464	1,701,816	17,223,516	678,739	244,750	23,707,285
At 30 November 2018	3,941,095	1,858,117	15,727,003	872,714	114,732	22,513,661

The company had no tangible fixed assets at 30 November 2019 or 30 November 2018.

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2019

#### 12 Tangible fixed assets (Continued)

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

	Group 2019 £	2018 £	Company 2019 £	2018 £
Plant and machinery	4,651,953	4,411,792	-	-
Fixtures, fittings and equipment	62,210	61,756	-	-
Motor vehicles	238,632	96,623	-	-
	<u>4,952,795</u>	<u>4,570,171</u>	<u>-</u>	<u>-</u>
Depreciation charge for the year in respect of leased assets	<u>687,657</u>	<u>635,686</u>	<u>-</u>	<u>-</u>

Computer equipment is included within plant and machinery.

On 3 May 2017, the group revalued land and buildings with a carrying amount of £2,973,541 to £4,000,000 following the requirements of the bank for loan security purposes. Following this, the directors have considered the valuation undertaken by the external independent valuer and determined that this valuation provides a reasonable approximation of the fair value of the freehold land and buildings at the date of valuation and at 30 November 2019.

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:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Cost	3,162,800	3,162,800	-	-
Accumulated depreciation	316,053	252,797	-	-
Carrying value	<u>2,846,747</u>	<u>2,910,003</u>	<u>-</u>	<u>-</u>

Freehold land and buildings with a carrying amount of £3,837,369 (2018 - £3,920,000) have been pledged to secure borrowings of the group. The group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity.

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2019

### 13 Fixed asset investments

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Investments in subsidiaries	14	-	-	5,000,001	5,000,001

#### Movements in fixed asset investments Company

##### Cost or valuation

At 1 December 2018 & 30 November 2019	Shares £	5,000,001
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##### Carrying amount

At 30 November 2019	5,000,001
At 30 November 2018	5,000,001

### 14 Subsidiaries

Details of the company's subsidiaries at 30 November 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct Indirect
David Wood Baking Limited	1 Calverley Road, Oulton, Leeds, LS26 8JD	Baked and frozen goods	Ordinary	100.00
Peter Hunt's Bakery Limited	As above	Dormant	Ordinary	100.00

### 15 Stocks

	Group 2019 £	2018 £	Company 2019 £	2018 £
Raw materials and consumables	3,644,421	3,491,716	-	-
Finished goods and goods for resale	2,525,619	2,523,384	-	-
	6,170,040	6,015,100	-	-

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2019

### 16 Debtors

	Group 2019	2018	Company 2019	2018
	£	£	£	£
<b>Amounts falling due within one year:</b>				
Trade debtors	20,657,825	15,655,367	-	-
Corporation tax recoverable	814,784	685,783	-	-
Other debtors	1,063,573	789,839	-	-
Prepayments and accrued income	374,856	225,986	-	-
	<u>22,911,038</u>	<u>17,356,975</u>	<u>-</u>	<u>-</u>

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

	Notes	Group 2019	2018	Company 2019	2018
		£	£	£	£
Bank loans	19	467,335	851,229	-	-
Obligations under finance leases	21	1,030,323	877,879	-	-
Other borrowings	19	18,000,480	13,674,516	-	-
Trade creditors		14,733,522	13,690,046	-	-
Amounts due to group undertakings		-	-	91,598	41,598
Other taxation and social security		756,215	635,543	-	-
Other creditors		269,178	1,287,060	-	-
Accruals and deferred income		4,602,042	2,962,435	-	-
		<u>39,859,095</u>	<u>33,978,708</u>	<u>91,598</u>	<u>41,598</u>

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

	Notes	Group 2019	2018	Company 2019	2018
		£	£	£	£
Bank loans	19	2,355,862	2,790,137	-	-
Obligations under finance leases	21	1,457,939	1,585,890	-	-
Other borrowings	19	1,497,325	674,538	-	-
		<u>5,311,126</u>	<u>5,050,565</u>	<u>-</u>	<u>-</u>



# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2019

#### 19 Borrowings

	Group 2019 £	2018 £	Company 2019 £	2018 £
Bank loans	2,823,197	3,641,366	-	-
Other loans	19,497,805	14,349,054	-	-
	<u>22,321,002</u>	<u>17,990,420</u>	<u>-</u>	<u>-</u>
Payable within one year	18,467,815	14,525,745	-	-
Payable after one year	<u>3,853,187</u>	<u>3,464,675</u>	<u>-</u>	<u>-</u>

Bank loans of £2,823,197 (2018 - £3,641,366) and an invoice discount facility of £17,494,641 (2018 - £13,449,670), which is included within other loans, are secured by a debenture over the company's trade debtors, goodwill and chattels. The directors, Mr D A Wood and Mrs K Wood, have given personal guarantees and a charge over their residential property.

Bank loans comprise of mortgage loans of £2,161,364 (2018 - £2,369,866) and asset loans of £661,833 (2018 - £1,271,500).

The group 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 £305,000 (2018 - £427,000) and £340,000 (2018 - £460,000) 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 £16,833 (2018 - £384,500) incur interest of 3% over Bank of England base rate. The loans are repayable in equal quarterly repayments of £25,250. The loans will be repaid in full by January 2020.

Included within other loans are pension scheme loans of £2,003,164 (2018 - £899,384): Pension scheme loans incur interest ranging from 3-4% and are secured against the assets of the group. 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.

#### 20 Financial instruments

	Group 2019 £	2018 £	Company 2019 £	2018 £
<b>Carrying amount of financial assets</b>				
Debt instruments measured at amortised cost	<u>20,768,193</u>	<u>15,717,200</u>	<u>-</u>	<u>-</u>
<b>Carrying amount of financial liabilities</b>				
Measured at amortised cost	<u>41,925,744</u>	<u>35,929,961</u>	<u>91,598</u>	<u>41,598</u>

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2019

#### 21 Finance lease obligations

	Group 2019 £	2018 £	Company 2019 £	2018 £
Future minimum lease payments due under finance leases:				
Less than one year	1,030,323	877,879	-	-
Between one and five years	1,457,939	1,585,890	-	-
	<u>2,488,262</u>	<u>2,463,769</u>	<u>-</u>	<u>-</u>

Finance lease payments represent rentals payable by the company or group 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%.

#### 22 Provisions for liabilities

	Notes	Group 2019 £	2018 £	Company 2019 £	2018 £
Deferred tax liabilities	23	<u>1,315,771</u>	<u>732,280</u>	<u>-</u>	<u>-</u>

#### 23 Deferred taxation

Deferred tax assets and liabilities are offset where the group or 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:

Group	Liabilities 2019 £	Liabilities 2018 £
Accelerated capital allowances	989,057	796,619
Tax losses	(69,143)	(479,169)
Revaluations	(8,638)	(7,530)
Fair value uplift	404,495	422,360
	<u>1,315,771</u>	<u>732,280</u>

The company has no deferred tax assets or liabilities.

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2019

### 23 Deferred taxation (Continued)

	Group 2019 £	Company 2019 £
<b>Movements in the year:</b>		
Liability at 1 December 2018	732,280	-
Charge to profit or loss	583,491	-
Liability at 30 November 2019	<u>1,315,771</u>	<u>-</u>

### 24 Government grants

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

The balance brought forward was £159,320 with £61,489 being released to the profit and loss during the period, resulting in a balance to be carried forward of £97,831.

### 25 Retirement benefit schemes

	2019 £	2018 £
<b>Defined contribution schemes</b>		
Charge to profit or loss in respect of defined contribution schemes	<u>504,267</u>	<u>349,496</u>

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

Creditors includes amounts of £15,194 (2018 - £33,266) 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.

### 26 Share capital

	Group and company 2019 £	2018 £
<b>Ordinary share capital</b>		
<b>Issued and fully paid</b>		
4,550,004 Ordinary shares of £1 each	<u>4,550,004</u>	<u>4,550,004</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 UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2019

#### 27 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 group transferred £16,744 (2018 - £16,744) 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.

#### 28 Operating lease commitments

##### Lessee

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

	Group 2019 £	2018 £	Company 2019 £	2018 £
Within one year	765,750	554,000	-	-
Between two and five years	2,459,011	1,457,962	-	-
In over five years	-	38,123	-	-
	<u>3,224,761</u>	<u>2,050,085</u>	<u>-</u>	<u>-</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 £1,183,000 (2018 - £1,788,251) at the period end date.

#### 30 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Acquisition of tangible fixed assets	<u>194,392</u>	<u>53,941</u>	<u>-</u>	<u>-</u>

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2019

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#### 31 Events after the reporting date

Following the year end, the group's activities have been impacted by the global coronavirus pandemic. Our customer base has been forced to close their retail sites from the 24 March 2020 until 15 June 2020, as directed by the UK Government. Sales levels are now beginning to increase again. Whilst the precise impact of the pandemic is still uncertain, the directors have re-forecast cash flows for the foreseeable future to take into account expected outcomes. The group has also secured additional funding, further details of which are provided in the strategic report on pages 1-3 of this annual report.

#### 32 Related party transactions

##### Remuneration of key management personnel

The remuneration of key management personnel of the group, who are also directors, is as follows.

	2019 £	2018 £
Aggregate compensation	19,672	19,004

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

During the period the company paid rent of £197,550 (2018 - £74,916) on premises owned by the David Wood Pension Scheme. Other creditors include an amount of £2,003,164 (2018 - £899,383) (split £505,839 (2018 - £224,846) due within one year and £1,497,325 (2018 - £674,538) due after one year) in respect of a loan from the David Wood Pension Scheme.

During the period the company paid rent of £273,000 (2018 - £178,000) 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 £258,382 (2018 - £693,497) owed to Mr D A Wood. Interest is charged at rates ranging from 2.91 % - 5.38% on this balance and £41,315 (2018 - £42,736) was charged during the period. The loan is unsecured and net repayments of £476,430 (2018 - net advancements of £40,827) were made during the year.

#### 33 Controlling party

The ultimate controlling party is Mr D A Wood by virtue of his majority shareholding.

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2019

### 34 Cash generated from group operations

	2019 £	2018 £
Profit for the year after tax	2,275,400	234,896
Adjustments for:		
Taxation charged	561,687	176,991
Finance costs	828,653	689,933
Gain on disposal of tangible fixed assets	(9,700)	(1,298)
Depreciation and impairment of tangible fixed assets	3,347,917	2,991,485
(Decrease) in deferred income	(61,489)	(73,650)
Movements in working capital:		
(Increase)/decrease in stocks	(154,940)	973,745
(Increase)/decrease in debtors	(5,425,062)	1,906,050
Increase/(decrease) in creditors	1,785,873	(383,255)
<b>Cash generated from operations</b>	<b>3,148,339</b>	<b>6,514,897</b>

Fixed asset additions under hire purchase agreements during the year of £1,070,281 (2018 - £765,033) have been excluded from the cash flow statement as non-cash transactions.