

Company Registration No. 06665444 (England and Wales)

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

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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 2021

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

#### **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 13, the company's sales have increased by 11.0% from £123,429,563 in 2020 to £136,961,310 in 2021, whilst operating profit has fallen from £4,689,226 to £2,058,953.

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 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 deterioration in operating profit from last year is entirely attributable to the costs in bringing the new Spalding site into operation, in the year there are additions totalling £15,436,494. This expansion was financed through an amalgamation of asset financing and loans from lenders. Efficiencies at the other sites continue to improve. Action plans for continued improvements in performance at all sites are in place and progress is being made. During 2022, the group has continued to invest heavily in capital projects at the sites in the year to reduce labour costs, increase capacity and widen the range of products that the business can manufacture. This investment will result in improved profits as individual projects are completed.

The group statement of financial position shows that the group's financial position at the year end has improved, with net assets increasing from £11,977,229 in 2020, to £12,827,984 in 2021. Cash at bank and in hand has decreased from £6,113,394 in 2020 to £2,039,820 in 2021 working capital has also reduced, and the group manages its working capital and operates in order to generate strong cash-flows.

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

#### **Key performance indicators**

Key performance indicators used to monitor the performance of the business include:

- Detailed weekly and monthly operating reports for each site highlighting continual improvements in site efficiencies and capacity utilisation. We monitor adherence to plans, customer service levels, variances to our production standard costs and stock levels.
- Health and safety - accidents, both reportable and other are measured and trend analysis used to monitor improvements.
- Food safety - regular site audits are conducted by our own internal teams as well as by customers and external auditors. We recognise that we have obligations to our customers and the consumers. The 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 2021

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#### Principal risks and uncertainties

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

The most recent forecasts show that the group 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 and comply with the associated covenants. Further information about the impact of the principal risks and uncertainties on the forecasts can be seen in note 1.

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

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

Commercial risks include:

- Cost increases in raw materials or energy - where possible these are managed by means of longer term contracts or contracts with customers that provide a margin of profit over actual costs. The purchasing team focus on obtaining value for money on all materials acquired with a constant review of key materials acquired.
- Contracts can and have been lost due to competition from other suppliers into the markets the group serves. The group 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.
- 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.
- Credit risk - The group 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 group's cash flow on a regular basis, including forecasting future cash flows.

# DAVID WOOD BAKING UK LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

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#### **Future developments**

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

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

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

The group 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.

#### **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 group.

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

In making key decisions the group 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 Group. The planned future investment will be funded with additional borrowings and will eventually create several hundred jobs to benefit the local community.

The interests of the above key stakeholders are not always totally compatible and may even be mutually exclusive at times. Therefore, the group 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 group 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 group, 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 UK LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2021

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### Employee engagement

The directors and senior management promote effective engagement with all the group's employees. 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 group operates a number of measures to facilitate workforce engagement including works councils, employee forums and staff briefings.

These channels have supported the regular communication of information and guidance which has taken place with employees throughout the Covid-19 pandemic and allowed the group to provide a safe working environment for our workforce who could not work from home.

### Business relationships

The directors and senior management engage with customers to provide information about key customer relationships. Material relationships are being constantly monitored and reviewed by the directors who remain in close contact directly and indirectly with all key customers to understand their concerns and support their ever-changing needs, in particular minimising any potential disruption from the Covid-19 pandemic.

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 group is committed to fair payments and have remained in contact with key suppliers to understand their concerns and support their needs during the pandemic.

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

On behalf of the board



Mr D A Wood

Director

23.3.23

# DAVID WOOD BAKING UK LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 30 NOVEMBER 2021

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

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

#### Principal activities

The 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.

#### Results and dividends

The results for the year are set out on page 13.

Ordinary dividends were paid amounting to £115,000 (2020 - £49,998). The directors do not recommend payment of a further dividend.

#### 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

#### 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 year the group incurred costs in relation to research and development amounting £3,327,350 (2020 - £4,081,678). Costs have been expensed to the profit and loss account when incurred.

#### 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.

#### Energy and carbon reporting

The SECR disclosure presents our carbon footprint within the United Kingdom across Scope 1, 2 and to some extent scope 3 emissions, an appropriate intensity metric, the total energy use of electricity, gas and transport fuel and an energy efficiency actions summary taken during the relevant financial year.

# DAVID WOOD BAKING UK LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

	2022 kWh	2021 kWh
<b>Energy consumption</b>		
Aggregate of energy consumption in the year	71,427,888	72,268,751
<i>Emissions of CO2 equivalent</i>	<b>Metric tonnes</b>	<b>Metric tonnes</b>
Scope 1 - direct emissions		
- Gas combustion	7,679.00	7,434.00
- Fuel consumed for owned transport	151.00	144.00
	7,830.00	7,578.00
Scope 2 - indirect emissions		
- Electricity purchased	6,107.00	7,263.00
Scope 3 - other indirect emissions		
- Fuel consumed for transport not owned by the group	4.00	13.00
Total gross emissions	13,941.00	14,854.00
<i>Intensity ratio</i>		
Tonnes CO2e per employee	0.274747	0.299624

#### Quantification and reporting methodology

<b>Reporting Period</b>	1 December 2020 – 30 November 2021
<b>Boundary (consolidation approach)</b>	Operational approach
<b>Alignment with financial reporting</b>	SECR disclosure has been prepared in line with David Wood Baking UK Limited annual accounts made up to 30 November 2021.
<b>Reporting method</b>	GHG Emissions reporting are in line with the Greenhouse Gas (GHG) Protocol Corporate Accounting and Reporting Standard
<b>Emissions factor source</b>	DEFRA, 2020 for all emissions factors <a href="https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020">https://www.gov.uk/government/publications/greenhouse-gas-reporting-conversion-factors-2020</a>
<b>Conversion source</b>	<b>factor</b> Natural Gas and gasoline: Federal Register EPA; 40 CFR Part 98; e-CFR, June 13, 2017 EPA GHG Emission Factors Hub Diesel U.S. Energy Information Administration – British Thermal Unit Conversion factors 2020



# DAVID WOOD BAKING UK LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

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#### Quantification and reporting methodology (continued)

<b>Calculation method</b>	Activity Data x Emission Factor = GHG emissions Conversion Factor = kWh consumption
<b>Other relevant information on calculation</b>	Where applicable consumption was converted to kWh using conversion factors linked above, while emissions were calculated with the DEFRA emission factors. Transport data was calculated from mileage data to kWh to litres and GHG emissions using the method above. In absence of the exact engine sizes of the vehicles average conversion factors were used to calculate emissions.
<b>Reason for the intensity measurement choice</b>	Based on the nature of our business, as well as following the recommendations of the SECR legislation we chose the following intensity metric: floor area. This metric reflects the total tCO <sub>2</sub> emitted in line with the floor area that shows the development of our energy efficiency. Through the comparison of the coming financial years this metric will show a trend of David Wood Baking Limited's energy efficiency.
<b>Rounding</b>	The total tCO <sub>2</sub> e expressed in the table above might have a slight difference compared to the absolute results due to rounding (no more than 1%). The results in the table are expressed in tons CO <sub>2</sub> e and may not add up precisely to the totals due to rounding.
<b>Estimation</b>	The report contains an estimated gas consumption for 1 month. Depending on the nature of the missing data the following estimation methods were used: Average value of +/-2 surrounding months; Average value from past 3 months; Value from same month of prior year.

#### Energy efficiency action summary

The group continues to achieve direct savings in energy and associated carbon emissions, through operational and technological improvements, including;

- Reduced the compressor efficiency to 50% during weekend hours due to reduced working hours/less traffic into chilled/frozen areas so temperatures are maintained at lower rate.
- Reduced the efficiency of the site chiller units - reduced working hours/less traffic in chilled areas so temperature is maintained at lower rate.
- Weekly power down programme on all non-essential equipment.
- Reduction of site compressor running efficiency by 25%.
- Review of kettle usage through the production planning process allowing for the reduction in kettle usage and cleaning; Review of hygiene clean down process to reduce the demand on hot water usage.
- Reduced spiral electricity usage. Review of the spirals start up process allowing a reduction on the daily running times, 10 hours weekly.
- Activation light sensors placed into non high footfall areas.
- Ongoing replacement of florescent light strips with LED lighting throughout the factory. 80 lights completed. LED strip lightning has been inside factory.
- Carried out a complete overhaul/upgrade on the Polin oven inclusive of rebuilding the combustion chamber and installing a new belt to deliver a 12-minute bake form 15 minutes. Carried out a complete overhaul/ upgrade on the Den Boar oven, out of 46 burners working improved to 84 burners to deliver a 12-minute bake form 17 minutes.
- Light sensors installed in the canteen. Activation sensors placed to limited used areas.
- All cold bread conveyors will divert to sleep mode and turn off after 15 minutes.
- Reduction of gas usage; oven has been set, so if there is a gap for more than an hour, burners will automatically divert to Cool Stop (Gas will shut off to a minimum).

# DAVID WOOD BAKING UK LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

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#### Energy efficiency action summary (continued)

- Constant reviewing of hygiene usage of hot water and reduced the amount required.
- Upgrading direct drive motors for latest IE energy saving and adding variable speed control inverters.
- Upgraded startup of start delta systems with tighter parameters to achieve optimum performance.
- Review and updated all inverter-controlled machinery to achieve optimum performance.
- Constant reviewing of hygiene usage of hot water and reduced the amount required.
- Upgrading direct drive motors for latest IE energy saving and adding variable speed control inverters.
- Upgraded startup of start delta systems with tighter parameters to achieve optimum performance.
- Review and updated all inverter-controlled machinery to achieve optimum performance.
- Purchased all new fork trucks. Replaced the existing for more energy efficient / latest quick charge technology with long life gel batteries.
- Replaced all water-fed urinals for waterless urinals. Replaced standard taps to sensor timed types with added atomizers.
- Site Environment Policy is communicated to all staff via Canteen display. Energy Saving Initiative Poster in canteen to encourage staff to save energy.
- Email/Memo sent to all relevant staff/ department to ensure last person to lock up switch off lights.
- Part of GMP/GHP to ensure leaks and running taps are fixed immediately.
- Main Hand Washing Taps are on sensor to optimise energy saving.
- All outside lights are on PIR sensor and in process of rolling to other area.
- Ongoing fabrication/ maintenance work to preserve temperature and avoid uptake of temperature.
- We are in process of reviewing our Induction Training in order to imbed our Environment Policy and increase the Staff Awareness.

#### 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: 23.3.23

# **DAVID WOOD BAKING UK LIMITED**

## **DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 30 NOVEMBER 2021**

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The directors are responsible for preparing the Strategic Report and the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 2021 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 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 2021 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.

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

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

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

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

## **Other information**

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

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

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of 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 9, 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.

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

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

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

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

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

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

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

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

### 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

23.3.23

# DAVID WOOD BAKING UK LIMITED

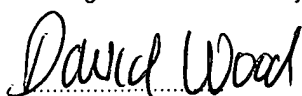
## CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 NOVEMBER 2021

	Notes	2021 £	2020 £
Turnover	3	136,961,310	123,429,563
Cost of sales		(111,812,884)	(102,771,772)
<b>Gross profit</b>		<b>25,148,426</b>	<b>20,657,791</b>
Distribution costs		(8,737,676)	(6,988,691)
Administrative expenses		(14,120,268)	(12,357,784)
Other operating income		634,471	3,377,910
Exceptional item	4	(866,000)	-
<b>Operating profit</b>	7	<b>2,058,953</b>	<b>4,689,226</b>
Interest payable and similar expenses	9	(654,929)	(659,725)
<b>Profit on ordinary activities before taxation</b>		<b>1,404,024</b>	<b>4,029,501</b>
Taxation	10	(438,269)	(756,321)
<b>Profit for the financial year</b>	27	<b>965,755</b>	<b>3,273,180</b>

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

	Notes	2021 £	£	2020 £	£
<b>Fixed assets</b>					
Negative goodwill	12	-		-	
Intangible assets	12	17,000		19,000	
Total intangible assets		17,000		19,000	
Tangible assets	13	45,635,363		28,335,228	
		45,652,363		28,354,228	
<b>Current assets</b>					
Stocks	16	6,289,422		5,866,324	
Debtors	17	20,235,055		23,903,996	
Cash at bank and in hand		2,039,820		6,113,394	
		28,564,297		35,883,714	
<b>Creditors: amounts falling due within one year</b>	18	(47,943,817)		(42,245,196)	
<b>Net current liabilities</b>		(19,379,520)		(6,361,482)	
<b>Total assets less current liabilities</b>		26,272,843		21,992,746	
<b>Creditors: amounts falling due after more than one year</b>	19	(10,445,814)		(8,299,443)	
<b>Provisions for liabilities</b>	22	(2,912,546)		(1,623,909)	
<b>Government grants</b>	24	(86,499)		(92,165)	
<b>Net assets</b>		12,827,984		11,977,229	
<b>Capital and reserves</b>					
Called up share capital	26	4,550,004		4,550,004	
Revaluation reserve	27	540,251		555,210	
Profit and loss reserves	27	7,737,729		6,872,015	
<b>Total equity</b>		12,827,984		11,977,229	

The financial statements were approved by the board of directors and authorised for issue on 23.3.23 and are signed on its behalf by:



Mr D A Wood  
Director

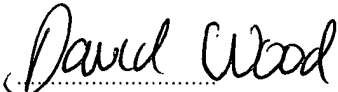


**DAVID WOOD BAKING UK LIMITED****COMPANY STATEMENT OF FINANCIAL POSITION  
AS AT 30 NOVEMBER 2021**

	Notes	2021 £	£	2020 £	£
<b>Fixed assets</b>					
Investments	14		5,000,001		5,000,001
<b>Creditors: amounts falling due within one year</b>	18		(141,596)		(141,596)
<b>Net current liabilities</b>			(141,596)		(141,596)
<b>Total assets less current liabilities</b>			4,858,405		4,858,405
<b>Capital and reserves</b>					
Called up share capital	26		4,550,004		4,550,004
Profit and loss reserves	27		308,401		308,401
<b>Total equity</b>			4,858,405		4,858,405

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 (2020 - £nil).

The financial statements were approved by the board of directors and authorised for issue on 23.3.23 and are signed on its behalf by:

  
Mr D A Wood  
Director

# DAVID WOOD BAKING UK LIMITED

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 NOVEMBER 2021

	Notes	Share capital £	Revaluation reserve £	Profit and loss reserves £	Total £
<b>Balance at 1 December 2019</b>		4,550,004	817,798	3,386,245	8,754,047
<b>Year ended 30 November 2020:</b>					
Profit for the year		-	-	3,273,180	3,273,180
Dividends	11	-	-	(49,998)	(49,998)
Transfers	27	-	(262,588)	262,588	-
<b>Balance at 30 November 2020</b>		4,550,004	555,210	6,872,015	11,977,229
<b>Year ended 30 November 2021:</b>					
Profit for the year		-	-	965,755	965,755
Dividends	11	-	-	(115,000)	(115,000)
Transfers	27	-	(14,959)	14,959	-
<b>Balance at 30 November 2021</b>		4,550,004	540,251	7,737,729	12,827,984

# DAVID WOOD BAKING UK LIMITED

## COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 NOVEMBER 2021

	Notes	Share capital £	Profit and loss reserves £	Total £
<b>Balance at 1 December 2019</b>		4,550,004	358,399	4,908,403
<b>Year ended 30 November 2020:</b>				
Profit for the year		-	-	-
Dividends	11	-	(49,998)	(49,998)
<b>Balance at 30 November 2020</b>		4,550,004	308,401	4,858,405
<b>Year ended 30 November 2021:</b>				
Profit for the year		-	115,000	115,000
Dividends	11	-	(115,000)	(115,000)
<b>Balance at 30 November 2021</b>		4,550,004	308,401	4,858,405

# DAVID WOOD BAKING UK LIMITED

## CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 NOVEMBER 2021

	Notes	2021 £	£	2020 £	£
<b>Cash flows from operating activities</b>					
Cash generated from operations	33	18,693,657		7,859,398	
Income taxes (paid)/refunded		(195,294)		27,135	
<b>Net cash inflow from operating activities</b>		<u>18,498,363</u>		<u>7,886,533</u>	
<b>Investing activities</b>					
Purchase of intangible assets		-	(20,000)		
Purchase of tangible fixed assets	(16,784,929)		(7,680,570)		
Proceeds on disposal of tangible fixed assets	1,054,350		3,355,065		
<b>Net cash used in investing activities</b>		<u>(15,730,579)</u>		<u>(4,345,505)</u>	
<b>Financing activities</b>					
Proceeds from borrowings	190,725		126,714		
Movement in invoice financing liability	(3,999,227)		(19,376)		
Proceeds of new bank loans	700,000		3,500,000		
Repayment of bank loans	(1,484,961)		(786,864)		
Interest paid	(654,929)		(659,725)		
Payment of finance leases obligations	(1,477,966)		(2,087,892)		
Dividends paid to equity shareholders	(115,000)		(49,998)		
<b>Net cash (used in)/generated from financing activities</b>		<u>(6,841,358)</u>		<u>22,859</u>	
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(4,073,574)</u>		<u>3,563,887</u>	
Cash and cash equivalents at beginning of year		<u>6,113,394</u>		<u>2,549,507</u>	
<b>Cash and cash equivalents at end of year</b>		<u><u>2,039,820</u></u>		<u><u>6,113,394</u></u>	

# DAVID WOOD BAKING UK LIMITED

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

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### 1 Accounting policies

#### Company information

David Wood Baking 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 both 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 27 November 2021 ("the financial year"). Comparative figures are for the year ended 28 November 2020.

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 both 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).

All financial statements are made up to the nearest Saturday to 30 November which falls on 27 November 2021 ("the financial year"). 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.

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.

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

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#### 1 Accounting policies (Continued)

##### Going concern

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

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

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

- In early 2023, additional finance has been secured from new and existing lenders including further shareholder funding. If the assumptions in the reforecasts are met, then the reforecasts suggest these renewed facilities are sufficient for the Groups ongoing needs to March 2024;
- Where possible, materials and energy prices are being contracted ahead of time to improve visibility of delivery costs. Where material and energy prices have already been fixed, these prices are reflected in the forecasts. Costs are being monitored very closely to ensure we can act quickly to pass any future cost increases on to customers;
- We have now come to the end of a period of heavy investment in the new Spalding site. Capital expenditure has now been reduced to essential items only.

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

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

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

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

The Directors are confident in the Groups ability to achieve the forecast results and in each of the four months November 2022 to February 2023, the Group has achieved the forecast profitability levels.

At 30 November 2021, the group had net current liabilities of £19.4m (2020: £6.4m).

Following a post year end refinancing referred to above, the Group had utilised £40.9m of £41.4m borrowing facilities at the end of February 2023. The facilities in use comprise an overdraft, an invoice finance facility and other borrowings. There are financial covenants associated with some of these facilities, which are reviewed monthly or quarterly as required.

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

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#### 1 Accounting policies (Continued)

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

#### **Going concern basis**

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

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

Notwithstanding the uncertainties outlined above, strong trading performance from November 2022 to the date these financial statements are approved means the Directors have a reasonable expectation that the Company and Group 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 and Group 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 and Group have been prepared on a going concern basis.

#### **Turnover**

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

#### **Other Income**

##### *Grant Income*

Government grants 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 2021

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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.

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

Patents	10% on cost
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#### **Tangible fixed assets**

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

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

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

Freehold land and Assets under construction are not depreciated.

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 2021

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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.

#### **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.

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

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#### 1 Accounting policies (Continued)

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

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

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.

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

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#### 1 Accounting policies (Continued)

##### **Provisions**

Provisions are recognised when the group has a legal or constructive present obligation as a result of a past event, it is probable that the group 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.

##### **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.

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

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

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#### 1 Accounting policies (Continued)

##### **Going concern basis**

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

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

Notwithstanding the uncertainties outlined above, strong trading performance from November 2022 to the date these financial statements are approved means the Directors have a reasonable expectation that the Company and Group 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 and Group 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 and Group have been prepared on a going concern basis.

#### 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 13.

# DAVID WOOD BAKING UK LIMITED

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

### 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 13 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 16 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 18.

### 3 Turnover

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

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

### 4 Exceptional item

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

# DAVID WOOD BAKING UK LIMITED

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

### 5 Employees

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

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

Their aggregate remuneration comprised:

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

### 6 Directors' remuneration

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

### 7 Operating profit

	2021 £	2020 £
Operating profit for the year is stated after charging/(crediting):		
Research and development costs	35,896	12,684
Government grants (note 24)	(634,471)	(3,377,910)
Depreciation of owned tangible fixed assets	3,180,095	2,941,126
Depreciation of tangible fixed assets held under finance leases	766,104	999,736
Profit on disposal of tangible fixed assets	(15,016)	(254,340)
Amortisation of intangible assets	2,000	1,000
Cost of stocks recognised as an expense	63,580,745	56,600,364
Operating lease charges	<u>958,723</u>	<u>1,041,655</u>

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

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

#### 8 Auditor's remuneration

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

#### 9 Interest payable and similar expenses

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

#### 10 Taxation

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

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

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

#### 10 Taxation (Continued)

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

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

#### 11 Dividends

	2021 £	2020 £
Recognised as distributions to equity holders:		
Final paid	-	49,998
Interim paid	115,000	-
	115,000	49,998

Dividends paid in the year amounted to £nil (2020 - £0.01) per Ordinary share.



# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

#### 12 Intangible fixed assets

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

The company had no intangible fixed assets at 30 November 2021 or 30 November 2020.

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 those revalued assets.

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

# DAVID WOOD BAKING UK LIMITED

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

### 13 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 2020	2,521,095	2,280,726	39,709,452	2,678,059	1,233,017	48,422,349
Additions	-	-	22,032,263	110,890	142,515	22,285,668
Disposals	-	-	(1,129,002)	-	(109,529)	(1,238,531)
At 30 November 2021	2,521,095	2,280,726	60,612,713	2,788,949	1,266,003	69,469,486
<b>Depreciation and impairment</b>						
At 1 December 2020	152,617	687,926	16,447,849	2,266,349	532,380	20,087,121
Depreciation charged in the year	51,495	109,016	3,349,211	188,519	247,958	3,946,199
Eliminated in respect of disposals	-	-	(106,681)	-	(92,516)	(199,197)
At 30 November 2021	204,112	796,942	19,690,379	2,454,868	687,822	23,834,123
<b>Carrying amount</b>						
At 30 November 2021	2,316,983	1,483,784	40,922,334	334,081	578,181	45,635,363
At 30 November 2020	2,368,478	1,592,800	23,261,603	411,710	700,637	28,335,228

The company had no tangible fixed assets at 30 November 2021 or 30 November 2020.

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

#### 13 Tangible fixed assets (Continued)

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

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

Computer equipment is presented within plant and machinery.

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

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

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

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

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

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

#### 14 Fixed asset investments

	Notes	Group 2021 £	2020 £	Company 2021 £	2020 £
Investments in subsidiaries	15	-	-	5,000,001	5,000,001

#### Movements in fixed asset investments

Company	Shares £
<b>Cost</b>	
At 1 December 2020 & 30 November 2021	5,000,001
<b>Carrying amount</b>	
At 30 November 2021	5,000,001
At 30 November 2020	5,000,001

#### 15 Subsidiaries

Details of the company's subsidiaries at 30 November 2021 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

#### 16 Stocks

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

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

#### 17 Debtors

	Group 2021	2020	Company 2021	2020
	£	£	£	£
<b>Amounts falling due within one year:</b>				
Trade debtors	17,064,685	21,676,828	-	-
Corporation tax recoverable	519,128	339,466	-	-
Other debtors	2,442,198	1,652,799	-	-
Prepayments and accrued income	209,044	234,903	-	-
	<u>20,235,055</u>	<u>23,903,996</u>	<u>-</u>	<u>-</u>

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

		Group 2021	2020	Company 2021	2020
	Notes	£	£	£	£
Bank loans	20	1,477,837	1,325,502	-	-
Obligations under finance leases	21	2,692,578	1,633,092	-	-
Other borrowings	20	14,343,887	18,272,769	-	-
Trade creditors		20,818,729	14,633,223	-	-
Amounts due to group undertakings		-	-	91,598	91,598
Other taxation and social security		1,762,620	828,565	-	-
Other creditors		1,212,149	831,875	49,998	49,998
Accruals and deferred income		5,636,017	4,720,170	-	-
		<u>47,943,817</u>	<u>42,245,196</u>	<u>141,596</u>	<u>141,596</u>

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

		Group 2021	2020	Company 2021	2020
	Notes	£	£	£	£
Bank loans	20	3,273,535	4,210,831	-	-
Obligations under finance leases	21	5,719,525	2,756,238	-	-
Other borrowings	20	1,452,754	1,332,374	-	-
		<u>10,445,814</u>	<u>8,299,443</u>	<u>-</u>	<u>-</u>

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

#### 20 Borrowings

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

Bank loans of £4,751,372 (2020 - £5,536,333) and an invoice discounting facility of £13,476,038 (2020 - £17,475,265), which is included within other loans, are secured by a debenture over the company's trade debtors, goodwill and chattels. The directors, Mr D A Wood and Mrs K Wood, have given personal guarantees and a charge over their residential property.

Bank loans comprise of mortgage loans of £1,634,817 (2020 - £1,924,999), asset loans of £783,222 (2020 - £403,000) and loans under the Coronavirus Large Business Interruption Loan Scheme of £2,333,333 (2020 - £3,208,334).

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

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

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

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

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

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

#### 21 Finance lease obligations

	Group 2021 £	2020 £	Company 2021 £	2020 £
Future minimum lease payments due under finance leases:				
Less than one year	2,692,579	1,633,092	-	-
Between one and five years	5,719,524	2,756,238	-	-
	<u>8,412,103</u>	<u>4,389,330</u>	<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 2021 £	2020 £	Company 2021 £	2020 £
Health and Safety breach		866,000	-	-	-
Deferred tax liabilities	23	2,046,546	1,623,909	-	-
		<u>2,912,546</u>	<u>1,623,909</u>	<u>-</u>	<u>-</u>

Movements on provisions apart from deferred tax liabilities:

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

During September 2021, an employee suffered a serious injury at one of the production sites. The resulting Health and Safety Executive (HSE) investigation determined that the company had contravened 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 January 2023, the company was fined £858,000 for the offences and was required to pay costs of £8,000. The fine is due for payment in March 2025.

# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

#### 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:

	Liabilities 2021 £	Liabilities 2020 £
<b>Group</b>		
Accelerated capital allowances	4,814,814	1,448,150
Tax losses	(3,000,099)	-
Revaluations	(15,118)	(11,923)
Fair value uplift	246,949	187,682
	<u>2,046,546</u>	<u>1,623,909</u>

The company has no deferred tax assets or liabilities.

	Group 2021 £	Company 2021 £
<b>Movements in the year:</b>		
Liability at 1 December 2020	1,623,909	-
Charge to profit or loss	422,637	-
	<u>2,046,546</u>	<u>-</u>
Liability at 30 November 2021		

#### 24 Government grants

Included within other operating income is £682,605 (2020 - £3,372,244) from the UK Government in respect of the Coronavirus Job Retention Scheme (CJRS) which was utilised by the company during the year as a result of the Covid-19 pandemic. Included with prepayments and accrued income at the year end was £nil (2020 - £17,936) in relation to the scheme.

Also included with other operating income is £5,666 (2020 - £5,666) from the respective councils in relation to the Bolton and Dudley sites. When these sites were purchased the government allowed grants against capital spend. The main conditions attached to the grants were that the money be spent on capital items and the headcount at the sites largely maintained. The grants are being released against the equipment that they relate to over the expected useful life of the assets. The outstanding liability in relation to the grants at the year end on the statement of financial position was £86,499 (2020 - £92,165).

#### 25 Retirement benefit schemes

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



# DAVID WOOD BAKING UK LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 30 NOVEMBER 2021

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#### 25 Retirement benefit schemes (Continued)

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 £17,105 (2020 - £21,833) in respect of outstanding pension contributions.

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

#### 26 Share capital

	Group and Company			
	2021 Number	2020 Number	2021 £	2020 £
<b>Ordinary share capital Issued and fully paid</b>				
Ordinary shares of £1 each	4,550,004	4,550,004	4,550,004	4,550,004

##### *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 2021

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

#### 28 Operating lease commitments

##### Lessee

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

	Group 2021 £	2020 £	Company 2021 £	2020 £
Within one year	1,101,433	1,125,167	-	-
Between two and five years	1,642,573	2,615,132	-	-
	<u>2,744,006</u>	<u>3,740,299</u>	<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 group 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 group. This amounted to £1,091,640 (2020 - £1,151,278) at the period end date.

#### 30 Capital commitments

Amounts contracted for but not provided in the financial statements:

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

# DAVID WOOD BAKING UK LIMITED

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

### 31 Related party transactions

#### Remuneration of key management personnel

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

	2021 £	2020 £
Aggregate compensation	17,256	20,025

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

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

During the year the group paid rent of £143,000 (2020 - £143,000) on premises jointly owned by Mr D A and Mrs K Wood. The rental agreement includes an interest charge of 4% per annum on outstanding payments, however this interest has been waived by the landlord.

Included in creditors is £612,880 (2020 - £775,880) owed to Mr D A Wood. Interest is charged and paid of 1.67% on this balance and £10,817 (2020 - £47,578) was charged and paid during the period. The loan is unsecured and net repayments of £163,000 (2020 - net advances of £57,000) were made during the year.

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

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

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

### 32 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 2021

#### 33 Cash generated from group operations

	2021 £	2020 £
Profit for the year after tax	965,755	3,273,180
Adjustments for:		
Taxation charged	438,269	756,321
Finance costs	654,929	659,725
Gain on disposal of tangible fixed assets	(15,016)	(254,340)
Amortisation and impairment of intangible assets	2,000	1,000
Depreciation and impairment of tangible fixed assets	3,946,199	3,940,862
Increase in provisions	866,000	-
(Decrease) in deferred income	(5,666)	(5,666)
Movements in working capital:		
(Increase)/decrease in stocks	(423,098)	303,716
Decrease/(increase) in debtors	3,848,603	(1,007,778)
Increase in creditors	8,415,682	192,378
<b>Cash generated from operations</b>	<b>18,693,657</b>	<b>7,859,398</b>

Fixed asset additions under hire purchase agreements during the year of £5,500,739 (2020 - £3,988,960) have been excluded from the cash flow statement as non-cash transactions.

#### 34 Analysis of changes in net debt - group

	1 December 2020 £	Cash flows £	New finance leases £	30 November 2021 £
Cash at bank and in hand	6,113,394	(4,073,574)	-	2,039,820
Borrowings excluding overdrafts within 1 year	(19,598,271)	3,776,547	-	(15,821,724)
Borrowings excluding overdrafts after 1 year	(5,543,205)	816,916	-	(4,726,289)
Obligations under finance leases	(4,389,330)	1,477,966	(5,500,739)	(8,412,103)
	<b>(23,417,412)</b>	<b>1,997,855</b>	<b>(5,500,739)</b>	<b>(26,920,296)</b>