

Company Registration No. 06541251 (England and Wales)

DAVID WOOD BAKING LIMITED
REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 NOVEMBER 2016

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DAVID WOOD BAKING LIMITED

COMPANY INFORMATION

Directors	Mr D A Wood Mrs K Wood
Secretary	Mrs K Wood
Company number	06541251
Registered office	1 Calverley Road Oulton Leeds LS26 8JD
Auditor	RSM UK Audit LLP <i>Chartered Accountants</i> 2 Whitehall Quay Leeds LS1 4HG

DAVID WOOD BAKING LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 30 NOVEMBER 2016

The directors present the strategic report for the year ended 30 November 2016.

Fair review of the business

Our strategy is to deliver shareholder value by:

- Delivering sales growth through investment in organic growth drivers such as new product development and expansion in high growth markets;
- Enhancing margins through a relentless drive for operational improvement across all our businesses;
- Managing the balance sheet and operations efficiently to generate strong cash-flows;
- Making acquisitions that add complementary customers or products;
- Improving returns on capital.

The business has consolidated its return to profitability following the site rationalisation in 2014 and is progressing well with its focus on filling capacity and improving each site's operational efficiency.

Principal risks and uncertainties

Commercial risks include:

- Cost increases in raw materials or energy - where possible these are managed by means of longer term contracts or contracts with customers that provide a margin of profit over actual costs. The purchasing team focus on obtaining value for money on all materials acquired with a schedule of constant review of key materials acquired.
- Contracts can and have been lost due to competition from other suppliers into the markets we serve. The company sets margin targets based on cost assumptions for a site as well as capacity opportunities at each site but will not commit to contracts unless the margins are acceptable to it.

Key performance indicators

KPIs 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;
- Health & safety - accidents, both reportable and other are measured and trend analysis used to monitor improvements;
- Food safety - regular site audits are conducted by our own internal teams as well as by customers and external auditors. We recognise that we have obligations to our customers and the consumers. The company holds BRC Global Standard for Food Safety Certification for each of its sites.

DAVID WOOD BAKING LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

Future developments

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

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

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

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

On behalf of the board



Mr D A Wood

Director

15/13/17

DAVID WOOD BAKING LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 NOVEMBER 2016

The directors present their annual report and financial statements for the year ended 30 November 2016.

The financial statements are drawn up to the nearest Saturday to 30 November which falls on 3 December 2016 ("the financial year").

For commercial reasons, the prior period financial statements were prepared for a period other than a year. For this reason the comparative figures reflect the results for the 8 month period ended 5 December 2015, and as such comparative amounts presented in the financial statements are not entirely comparable to the current year figures which represent a full year of trading.

Principal activities

The principal activity of the company continued to be that of the manufacture of breads, confectionery items and savoury products such as frozen pies and ready made meals.

Directors

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

Mr D A Wood
Mrs K Wood

Results and dividends

The results for the year are set out on page 7.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

Research and development

During the period the company incurred costs in relation to research and development amounting to £19,307 (2015 - £23,705). Costs have been expensed to the profit and loss account when incurred.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The company is committed to equal opportunity in all employment practices, policies and procedures. This means that no employee or potential employee will receive less favourable treatment due to race, religion, nationality, age, sex, sexuality or disability.

All employees are trained for several roles, and encouraged to move up to a higher grade. Employees are kept informed about company matters through internal media and through managers.

Auditor

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements are being made for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

DAVID WOOD BAKING LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

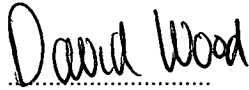
Matters of Strategic Importance

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.

Statement of disclosure to auditor

So far as the directors are aware, there is no relevant audit information of which the company'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 company's auditor is aware of that information.

On behalf of the board



Mr D A Wood

Director

15/3/17

DAVID WOOD BAKING LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 30 NOVEMBER 2016

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Opinion on financial statements

We have audited the financial statements on pages 7 to 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 November 2016 and of its 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.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Respective responsibilities of directors and auditor

As more fully explained in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

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

RSM UK Audit LLP

Hugh Fairclough (Senior Statutory Auditor)
For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
2 Whitehall Quay
Leeds
LS1 4HG
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DAVID WOOD BAKING LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS FOR THE YEAR ENDED 30 NOVEMBER 2016

	Notes	Year ended 30 November 2016 £	Period ended 5 December 2015 £
Turnover	3	79,463,001	46,794,685
Cost of sales		(64,461,225)	(37,854,452)
Gross profit		15,001,776	8,940,233
Distribution costs		(4,835,507)	(2,761,328)
Administrative expenses		(8,117,281)	(5,263,051)
Other operating income	3	73,651	49,099
Operating profit	5	2,122,639	964,953
Interest receivable and similar income	9	3,492	-
Interest payable and similar charges	10	(557,480)	(326,224)
Costs of a fundamental reorganisation or restructuring of existing operations	4	(98,420)	(224,800)
Profit on ordinary activities before taxation		1,470,231	413,929
Taxation	11	(72,355)	8,946
Profit for the financial year	25	1,397,876	422,875
Retained earnings brought forward		(817,783)	(1,240,658)
Retained earnings carried forward		580,093	(817,783)

DAVID WOOD BAKING LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 30 NOVEMBER 2016

	Notes	2016		2015	
		£	£	£	£
Fixed assets					
Intangible assets	12		(442,358)		(841,863)
Tangible assets	13		15,624,096		14,232,695
			<u>15,181,738</u>		<u>13,390,832</u>
Current assets					
Stocks	14	6,114,750		4,756,689	
Debtors	15	19,275,102		16,467,070	
Cash at bank and in hand		407,558		786,986	
		<u>25,797,410</u>		<u>22,010,745</u>	
Creditors: amounts falling due within one year	16	(31,201,010)		(26,596,196)	
Net current liabilities			<u>(5,403,600)</u>		<u>(4,585,451)</u>
Total assets less current liabilities			9,778,138		8,805,381
Creditors: amounts falling due after more than one year	17		(3,516,690)		(3,940,513)
Provisions for liabilities	20		(374,735)		(302,380)
Deferred income	22		(306,620)		(380,271)
Net assets			<u>5,580,093</u>		<u>4,182,217</u>
Capital and reserves					
Called up share capital	24	5,000,000		5,000,000	
Profit and loss reserves	25	580,093		(817,783)	
Total equity			<u>5,580,093</u>		<u>4,182,217</u>

The financial statements were approved by the board of directors and authorised for issue on 15/3/17 and are signed on its behalf by:

David Wood

Mr D A Wood
Director

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 NOVEMBER 2016

1 Accounting policies

Company information

David Wood Baking Limited is a private company limited by shares incorporated in England and Wales. The registered office is 1 Calverley Road, Oulton, Leeds, LS26 8JD.

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

Accounting convention

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

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

The financial statements are drawn up to the nearest Saturday to 30 November which falls on 3 December 2016 ("the financial year"). Comparative figures are for the 8 months ending 5 December 2015.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Reduced disclosures

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The company has therefore taken advantage of exemptions from the following disclosure requirements:

- Section 4 'Statement of Financial Position' – Reconciliation of the opening and closing number of shares;
- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' – Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income;
- Section 33 'Related Party Disclosures' – Compensation for key management personnel.

The financial statements of the company are consolidated in the financial statements of David Wood Baking UK Limited. These consolidated financial statements are available from its registered office, 1 Calverley Road, Oulton, Leeds, LS26 8JD.

Going concern

The financial statements have been prepared on a going concern basis. The directors have considered how the company will meet the challenges presented by the current economic climate and have carried out a detailed review of the company's resources including the adequacy of working capital for the next twelve months. At the year end the company had net current liabilities of £5,403,600 (2015 - £4,585,451). However, the company has significant cash reserves at the year end and having reviewed the cash flow forecasts for the next 12 months and having considered the borrowing facilities the company has in place at the date of approval of the financial statements, the directors are satisfied that the company will have sufficient resources to meet all liabilities as they fall due in the 12 months from approval of these financial statements.

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

1 Accounting policies (Continued)

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

Interest Income

Interest income is accrued on a time-apportioned basis, by reference to the principal outstanding at the effective interest rate.

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.

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 benefit, which the directors consider to be 40 months.

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.

Tangible fixed assets

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

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

Freehold land and buildings	2% on cost
Leasehold land and buildings	Over the length of the lease or 10% on cost
Plant and machinery	10 - 50% on cost
Fixtures, fittings and equipment	10% on cost
Motor vehicles	25% on cost

Freehold land is not depreciated.

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

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

1 Accounting policies (Continued)

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

Stocks held for distribution at no or nominal consideration are measured at the lower of replacement cost and cost, adjusted where applicable for any loss of service potential.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit or loss. Reversals of impairment losses are also recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised when the company becomes party to the contractual provisions of the instrument.

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

Basic financial assets

Basic financial assets, which include trade and other debtors and 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.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

1 Accounting policies (Continued)

Basic financial liabilities

Basic financial liabilities, including trade and other creditors, bank and other loans and loans from fellow 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.

Derecognition of financial liabilities

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

Equity instruments

Equity instruments issued by the company are recorded at the fair value of proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting period.

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 balance sheet date. Deferred tax is measured on a non-discounted basis.

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.

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

1 Accounting policies (Continued)

Retirement benefits

For defined contribution schemes the amount charged to profit or loss is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

Leases

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

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to income on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Government grants

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

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. If part of such a grant is deferred it is recognised as deferred income rather than being deducted from the asset's carrying amount.

Foreign exchange

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

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

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

Exceptional items

Exceptional items are material items which derive from events or transactions that fall within the ordinary activities of the company and which individually, or, if of a similar type, in aggregate, need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view.

Research and Development

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

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

2 Judgements and key sources of estimation uncertainty

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

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

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.

Dilapidation Provision

The dilapidation provision has been estimated based upon consultations with an industry expert to reach the best estimate of the amounts payable. This takes into consideration the experience of that expert and present industry trends.

Useful economic lives of intangible and tangible assets

The annual amortisation charge for intangible assets and the depreciation charge for tangible assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 12 for the carrying amount of the intangible assets, note 13 for the carrying amount of the tangible assets, and note 1 for the useful economic lives for each class of assets.

3 Turnover and other revenue

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

	2016	2015
	£	£
Turnover analysed by class of business		
Manufacture of breads, confectionary items and savoury products	79,463,001	46,794,685
	<u> </u>	<u> </u>
Other revenue		
Interest income	3,492	-
Grants received	73,651	49,099
	<u> </u>	<u> </u>

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 30 NOVEMBER 2016

3 Turnover and other revenue (Continued)

Turnover analysed by geographical market

	2016 £	2015 £
United Kingdom	79,006,216	46,672,653
Republic of Ireland	375,041	59,238
Germany	81,744	62,794
	<u>79,463,001</u>	<u>46,794,685</u>

4 Exceptional items

	2016 £	2015 £
Exceptional - cost of a fundamental reorganisation or restructuring	98,420	224,800
	<u>98,420</u>	<u>224,800</u>

Restructuring costs relate to redundancy, dilapidations and relocation expenses incurred in the amalgamation of the old Dudley and old Park Royal operations into one combined site.

5 Operating profit

	2016 £	2015 £
Operating profit for the period is stated after charging/(crediting):		
Exchange gains	(16,370)	-
Research and development costs	19,307	23,705
Government grants	(73,651)	(49,099)
Depreciation of owned tangible fixed assets	1,719,770	1,121,081
Depreciation of tangible fixed assets held under finance leases	249,219	136,893
Release of negative goodwill	(399,505)	(292,822)
Cost of stocks recognised as an expense	34,908,513	21,428,801
Operating lease charges	594,564	301,890
	<u>34,908,513</u>	<u>21,428,801</u>

6 Auditor's remuneration

	2016 £	2015 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the company's financial statements	29,000	30,000
For other services		
Taxation compliance services	4,500	3,500
All other non-audit services	4,000	10,500
	<u>8,500</u>	<u>14,000</u>

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

7 Employees

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

	2016 Number	2015 Number
Direct	777	632
Transport	48	45
Management	58	52
Technical and quality assurance	54	50
Administrative	25	29
	<u>962</u>	<u>808</u>

Their aggregate remuneration comprised:

	2016 £	2015 £
Wages and salaries	23,533,868	12,860,547
Social security costs	1,627,264	806,570
Pension costs	193,622	198,435
	<u>25,354,754</u>	<u>13,865,552</u>

8 Directors' remuneration

	2016 £	2015 £
Remuneration for qualifying services	<u>19,752</u>	<u>45,907</u>

9 Interest receivable and similar income

	2016 £	2015 £
Interest income		
Other interest income	<u>3,492</u>	<u>-</u>

10 Interest payable and similar charges

	2016 £	2015 £
Interest on bank overdrafts and loans	151,921	138,208
Interest on finance leases and hire purchase contracts	75,081	47,448
Interest on other loans	330,478	140,568
	<u>557,480</u>	<u>326,224</u>

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

11 Taxation

	2016 £	2015 £
Deferred tax		
Origination and reversal of timing differences	224,797	267,806
Changes in tax rates	(5,852)	-
Adjustment in respect of prior periods	(146,590)	(276,752)
Total deferred tax	<u>72,355</u>	<u>(8,946)</u>

Reductions to the UK Corporation tax rates were substantively enacted as part of the Finance Bill 2015 on 26 October 2015 and the Finance Bill 2016 on 6 September 2016. These reduce the main rate to 19% from 1 April 2017 and to 17% from 1 April 2020. The deferred tax assets and liabilities reflect these rates.

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

	2016 £	2015 £
Profit before taxation	<u>1,470,231</u>	<u>413,929</u>
Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.00%)	294,046	82,786
Tax effect of expenses that are not deductible in determining taxable profit	45,379	83,788
Tax effect of income not taxable in determining taxable profit	(79,901)	-
Effect of change in corporation tax rate	(40,579)	-
Amortisation on assets not qualifying for tax allowances	-	(59,536)
Deferred tax adjustments in respect of prior years	(146,590)	(276,752)
Deferred tax not provided	-	160,768
Tax expense/(income) for the period	<u>72,355</u>	<u>(8,946)</u>

Deferred tax has not been recognised on losses of £nil (2015 - £1,171,011).

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

12 Intangible fixed assets

	Negative goodwill	Patents	Total
	£	£	£
Cost			
At 6 December 2015 and 30 November 2016	(1,464,110)	5,000	(1,459,110)
Amortisation and impairment			
At 6 December 2015	(622,247)	5,000	(617,247)
Amortisation charged for the year	(399,505)	-	(399,505)
At 30 November 2016	(1,021,752)	5,000	(1,016,752)
Carrying amount			
At 30 November 2016	(442,358)	-	(442,358)
At 5 December 2015	(841,863)	-	(841,863)

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

The amortisation charge for the year is included within administrative expenses in the Statement of Income and Retained Earnings.

DAVID WOOD BAKING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 30 NOVEMBER 2016**

13 Tangible fixed assets

	Freehold land and buildings £	Leasehold land and buildings £	Plant and machinery £	Fixtures, fittings and equipment £	Motor vehicles £	Total £
Cost						
At 6 December 2015	3,162,800	1,852,414	13,838,894	1,729,337	507,783	21,091,228
Additions	-	153,858	2,954,635	206,973	44,924	3,360,390
At 30 November 2016	3,162,800	2,006,272	16,793,529	1,936,310	552,707	24,451,618
Depreciation and impairment						
At 6 December 2015	63,029	197,145	5,518,040	874,233	206,086	6,858,533
Depreciation charged in the year	63,256	72,520	1,466,048	245,801	121,364	1,968,989
At 30 November 2016	126,285	269,665	6,984,088	1,120,034	327,450	8,827,522
Carrying amount						
At 30 November 2016	3,036,515	1,736,607	9,809,441	816,276	225,257	15,624,096
At 5 December 2015	3,099,771	1,655,269	8,320,854	855,104	301,697	14,232,695

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

13 Tangible fixed assets (Continued)

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

	2016 £	2015 £
Plant and machinery	1,298,726	861,604
Motor vehicles	198,021	274,581
	<u>1,496,747</u>	<u>1,136,185</u>
Depreciation charge for the year in respect of leased assets	<u>249,219</u>	<u>136,893</u>

Computer equipment is presented within plant and machinery.

14 Stocks

	2016 £	2015 £
Raw materials and consumables	3,200,355	2,306,499
Finished goods and goods for resale	2,914,395	2,450,190
	<u>6,114,750</u>	<u>4,756,689</u>

15 Debtors

	2016 £	2015 £
Amounts falling due within one year:		
Trade debtors	17,633,863	15,285,436
Other debtors	1,039,496	566,149
Prepayments and accrued income	601,743	615,485
	<u>19,275,102</u>	<u>16,467,070</u>

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

16 Creditors: amounts falling due within one year

	Notes	2016 £	2015 £
Bank loans	18	623,500	623,500
Obligations under finance leases	19	452,296	347,656
Other borrowings	18	14,531,717	12,618,803
Trade creditors		10,689,228	8,269,256
Amounts due to group undertakings		42,404	58,262
Corporation tax		-	2,634
Other taxation and social security		535,637	481,623
Other creditors		1,166,803	1,382,681
Accruals and deferred income		3,159,425	2,811,781
		<u>31,201,010</u>	<u>26,596,196</u>

17 Creditors: amounts falling due after more than one year

	Notes	2016 £	2015 £
Bank loans	18	2,320,083	2,943,583
Obligations under finance leases	19	492,436	487,973
Other borrowings	18	704,171	508,957
		<u>3,516,690</u>	<u>3,940,513</u>

Amounts included above which fall due after five years are as follows:

Payable by instalments	-	506,250
	<u>-</u>	<u>506,250</u>

18 Borrowings

	2016 £	2015 £
Bank loans	2,943,583	3,567,083
Other loans	15,235,888	13,127,760
	<u>18,179,471</u>	<u>16,694,843</u>
Payable within one year	15,155,217	13,242,303
Payable after one year	3,024,254	3,452,540
	<u>18,179,471</u>	<u>16,694,843</u>

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

18 Borrowings (Continued)

Bank loans of £2,943,583 (2015 - £3,567,083) and an invoice discount facility of £14,341,660 (2015 - £12,449,150), which is included within other loans, are secured by various mortgages, charges and a debenture over the company's and other group companies' tangible fixed assets and trade debtors. 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 £1,743,750 (2015 - £1,946,250) and asset loans of £1,199,833 (2015 - £1,620,833).

Mortgage loans incur interest of 2.75% over Bank of England base rate. The company has 2 mortgage loans, one of which is repayable in 15 quarterly repayments of £22,500 and one final repayment of £562,500 and will be repaid in full by August 2019. The other mortgage loan is repayable in equal quarterly repayments of £40,833, inclusive of interest, and one final repayment of £653,338 and will be repaid in full by January 2020.

Asset loans incur interest of 3% over Bank of England base rate. The loans are repayable in equal quarterly repayments of £105,250. The loans will be repaid in full by October 2019.

Included within other loans are pension scheme loans of £894,228 (2015 - £678,610). Pension scheme loans incur interest ranging from 3-4% and are secured against the assets of the company. The loans are repayable in equal quarterly repayments of between £6,366 and £33,500. The loans will be repaid in full by December 2021.

19 Finance lease obligations

	2016	2015
	£	£
Future minimum lease payments due under finance leases:		
Less than one year	452,296	347,656
Between one and five years	492,436	487,973
	<u>944,732</u>	<u>835,629</u>

Finance lease payments represent rentals payable by the company for certain items of plant and machinery. Leases include purchase options at the end of the lease period, and no restrictions are placed on the use of the assets. The average lease term is 4 years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Obligations under finance leases are secured against the assets to which they relate. The average interest charged on finance lease agreements is 4%.

20 Provisions for liabilities

	Note	2016	2015
		£	£
Deferred tax liabilities	21	374,735	302,380
		<u>374,735</u>	<u>302,380</u>

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

21 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	Liabilities 2016	Liabilities 2015
Balances:	£	£
Accelerated capital allowances	524,022	551,403
Tax losses	(423,683)	(551,403)
Other short term timing differences	(4,786)	-
Fair value uplift	279,182	302,380
	<u>374,735</u>	<u>302,380</u>
		2016
		£
Liability at 6 December 2015		302,380
Charge to profit or loss		72,355
Liability at 30 November 2016		<u>374,735</u>

The deferred tax liability set out above in relation to fair value uplifts is expected to reverse in line with movements in negative goodwill and relates to uplifts in values of the property arising on accounting for a business combination.

22 Government grants

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

The balance brought forward was £380,271 with £73,651 being released to the profit and loss during the period, resulting in a balance to be carried forward of £306,620.

23 Retirement benefit schemes

	2016	2015
Defined contribution schemes	£	£
Charge to profit or loss in respect of defined contribution schemes	193,622	198,435
	<u>193,622</u>	<u>198,435</u>

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

Creditors includes amounts of £53,174 (2015 - £18,893) in respect of outstanding pension contributions.

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

24 Share capital

	2016	2015
	£	£
Ordinary share capital		
Issued and fully paid		
5,000,000 Ordinary of £1 each	5,000,000	5,000,000

Ordinary share rights

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

25 Reserves

Profit and loss reserves

Cumulative profit and loss net of distributions to owners.

26 Operating lease commitments

Lessee

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

	2016	2015
	£	£
Within one year	429,329	345,667
Between two and five years	1,250,474	875,117
In over five years	458,342	297,000
	<u>2,138,145</u>	<u>1,517,784</u>

27 Financial commitments, guarantees and contingent liabilities

There is a pre-emption right included within a key customer contract. In the event that David Wood Baking Limited want to sell the Flint site, acquired in July 2014, the customer has the right to acquire the site back for £900,000.

A £400,000 early termination clause also exists, if terminated within 4 years from 1 July 2014.

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.

DAVID WOOD BAKING LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 30 NOVEMBER 2016

28 Related party transactions

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

During the period the company paid rent of £42,242 (2015 - £4,828) on premises jointly owned by Mr D A and Mrs K Wood. The rental agreement includes an interest charge of 4% per annum, however this interest has been waived by the directors.

Additionally the company paid a further £363,425 (2015 - £191,172) in rent for property owned by the pension scheme.

Other creditors include an amount of £894,228 (2015 - £678,609) (split £190,057 (2015 - £169,652) due within one year and £704,171 (2015 - £508,957) due after one year) in respect of a loan from the David Wood Pension Scheme.

The company also provided a guarantee over borrowings taken out by the directors for a property they own personally, but which is occupied and used by the company. These amounted to £1,613,330 (2015 - £1,613,330) at the period end date.

Included in creditors are amounts of £760,458 (2015 - £1,019,884) owed to Mr D A Wood. Interest is charged at rates ranging from 2.91% - 5.38% on these balances and £34,557 (2015 - £24,019) was charged during the period. The loans are unsecured and repayments of £259,426 were made during the year.

During the year the company made advances of £210,938 (2015 - £nil) to Mrs K Wood. Interest is received at rates ranging from 2.91% - 5.38% on this balance and £3,492 (2015 - £nil) was received during the year. The loan was unsecured and was subsequently transferred against the amounts owed to Mr D A Wood during the year.

29 Controlling party

The company is a wholly owned subsidiary of David Wood Baking UK Limited. David Wood Baking UK Limited is under the control of Mr D A Wood, the ultimate controlling party by virtue of his majority shareholding.

The smallest and largest group for which consolidated financial statements are prepared is David Wood Baking UK Limited. The consolidated accounts of David Wood Baking UK Limited are available from its registered office, 1 Calverley Road, Oulton, Leeds, LS26 8JD.