

Company Registration No. 00414489 (England and Wales)

**WERNICK BUILDINGS LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

# WERNICK BUILDINGS LIMITED

## COMPANY INFORMATION

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<b>Directors</b>	S M F Doran J J Jaggon A C King B B Wernick D M Wernick L R Wernick S Wilkie
<b>Secretary</b>	J J Jaggon
<b>Company number</b>	00414489
<b>Registered office</b>	Molineux House Russell Gardens Wickford Essex SS11 8QG
<b>Auditor</b>	Rickard Luckin Limited Aquila House Waterloo Lane Chelmsford Essex CM1 1BN
<b>Solicitors</b>	Burness Paul LLP 120 Bothwell Street Glasgow G2 7JL

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# WERNICK BUILDINGS LIMITED

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# **WERNICK BUILDINGS LIMITED**

## **STRATEGIC REPORT**

### ***FOR THE YEAR ENDED 31 DECEMBER 2019***

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The directors present the strategic report for the year ended 31 December 2019.

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

The Board of Directors consider the overall performance and year-end financial position of the company to be highly satisfactory. Turnover in 2019 increased by 12.5% (2018 – increase 14.3%), however our gross and net margins reduced to 10.9% (2018 – 12.2%) and 2.1% (2018 – 3.3%) respectively. Despite the challenges faced by the industry throughout 2019 and to date as a whole the companies underlying business is performing well. Covid-19 has had a significant impact on our operating environment, however the company has adapted well after the initial reduction in our normal production capacity. Through effective implementation of safe working practices our production levels have largely being restored. The Directors therefore consider the company to be well placed, both operationally and financially, for the future.

#### **Principal risks and uncertainties**

The group operates a centralised treasury function which is responsible for managing the liquidity risk, interest risk and credit risk associated with the group's activities.

The main source of funding of the group's operations are through bank overdrafts and loans. In addition, the group has various other financial assets and liabilities such as trade debtors and creditors arising directly from its operations. In accordance with the group's treasury policy, derivative instruments are not entered into for speculative purposes.

The main risks arising from the group's financial instruments are liquidity risk, interest rate risk and credit risk. The directors review and agree policies for managing each of these risks and they are summarised below.

#### **Liquidity risk**

The group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense whilst ensuring the company has sufficient liquid resources to meet the operating need of the business.

#### **Interest rate risk**

The group is exposed to fair value interest rate risk on its fixed rate borrowings and cash flow interest rate risk on its overdraft.

#### **Credit risk**

Investments of cash surpluses and borrowings are made through banks and companies approved by the board.

#### **Key performance indicators**

The company operates in a challenging industry, however the following key performance indicators demonstrates the significant margin and cost control exercised throughout the year.

- Turnover increase by 12.5% (2018 - 14.3%)
- Gross profit margin 10.9% (2018 - 12.2%)
- Operating profit margin 2.3% (2018 - 3.5%)
- Net profit margin 2.1% (2018 - 3.3%)
- Debtor days 44 (2018 - 41)
- Solvency ratio 3.74 (2018 - 3.42)
- Quick ratio 3.10 (2018 - 2.53)
- Shareholders' funds increased by 8.1% (2018 - 5.0%)

By order of the board

D M Wernick

**Director**

30 July 2020

# **WERNICK BUILDINGS LIMITED**

## **DIRECTORS' REPORT**

### ***FOR THE YEAR ENDED 31 DECEMBER 2019***

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The directors present their annual report and financial statements for the year ended 31 December 2019.

#### **Directors**

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

S M F Doran  
J J Jaggon  
A C King  
B B Wernick  
D M Wernick  
L R Wernick  
S Wilkie

#### **Results and dividends**

The results for the year are set out on page 6.

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

#### **Auditor**

Rickard Luckin Limited were appointed as auditor to the company and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

#### **Statement of directors' responsibilities**

The directors are responsible for preparing the annual 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.

#### **Statement of disclosure to auditor**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually 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.

# **WERNICK BUILDINGS LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2019***

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By order of the board

J J Jaggon  
**Secretary**

30 July 2020

# WERNICK BUILDINGS LIMITED

## INDEPENDENT AUDITOR'S REPORT

### TO THE MEMBERS OF WERNICK BUILDINGS LIMITED

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#### Opinion

We have audited the financial statements of Wernick Buildings Limited (the 'company') for the year ended 31 December 2019 which comprise the statement of comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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

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

#### Other information

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

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

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

# **WERNICK BUILDINGS LIMITED**

## **INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF WERNICK BUILDINGS LIMITED**

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### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

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

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

### **Use of our report**

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

**Michael Breame (Senior Statutory Auditor)**  
**for and on behalf of Rickard Luckin Limited**

31 July 2020

**Chartered Accountants**  
**Statutory Auditor**

Aquila House  
Waterloo Lane  
Chelmsford  
Essex  
CM1 1BN



# WERNICK BUILDINGS LIMITED

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
<b>Turnover</b>	<b>3</b>	31,431,256	27,934,727
Cost of sales		(28,020,651)	(24,542,409)
<b>Gross profit</b>		3,410,605	3,392,318
Distribution costs		(1,898,825)	(1,738,796)
Administrative expenses		(787,330)	(686,696)
<b>Operating profit</b>	<b>4</b>	724,450	966,826
Interest payable and similar expenses	<b>7</b>	(59,000)	(45,000)
<b>Profit before taxation</b>		665,450	921,826
Tax on profit	<b>8</b>	(1,695)	(155,727)
<b>Profit for the financial year</b>		663,755	766,099
<b>Other comprehensive income</b>			
Actuarial gain/(loss) on defined benefit pension schemes		180,000	(337,000)
Tax relating to other comprehensive income		(48,000)	35,000
<b>Total comprehensive income for the year</b>		795,755	464,099

# WERNICK BUILDINGS LIMITED

## BALANCE SHEET

**AS AT 31 DECEMBER 2019**

	Notes	2019 £	£	2018 £	£
<b>Fixed assets</b>					
Tangible assets	9		531,682		549,686
<b>Current assets</b>					
Stocks	10	2,721,494		4,020,230	
Debtors	11	11,107,222		10,498,346	
Cash at bank and in hand		1,746,655		996,023	
		<u>15,575,371</u>		<u>15,514,599</u>	
<b>Creditors: amounts falling due within one year</b>	12	<u>(4,005,235)</u>		<u>(4,517,177)</u>	
<b>Net current assets</b>			11,570,136		10,997,422
<b>Total assets less current liabilities</b>			<u>12,101,818</u>		<u>11,547,108</u>
<b>Creditors: amounts falling due after more than one year</b>	13		(65,600)		(65,600)
<b>Provisions for liabilities</b>	14		<u>(1,524,000)</u>		<u>(1,765,045)</u>
<b>Net assets</b>			<u>10,512,218</u>		<u>9,716,463</u>
<b>Capital and reserves</b>					
Called up share capital	16		61,245		61,245
Profit and loss reserves			<u>10,450,973</u>		<u>9,655,218</u>
<b>Total equity</b>			<u>10,512,218</u>		<u>9,716,463</u>

The financial statements were approved by the board of directors and authorised for issue on 30 July 2020 and are signed on its behalf by:

D M Wernick  
**Director**

**Company Registration No. 00414489**

# WERNICK BUILDINGS LIMITED

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Revaluation reserve	Profit and loss reserves	Total
	£	£	£	£
<b>Balance at 1 January 2018</b>	61,245	-	9,191,119	9,252,364
<b>Year ended 31 December 2018:</b>				
Profit for the year	-	-	766,099	766,099
Other comprehensive income:				
Actuarial gains on defined benefit plans	-	-	(337,000)	(337,000)
Tax relating to other comprehensive income	-	-	35,000	35,000
Total comprehensive income for the year	-	-	464,099	464,099
<b>Balance at 31 December 2018</b>	61,245	-	9,655,218	9,716,463
<b>Year ended 31 December 2019:</b>				
Profit for the year	-	-	663,755	663,755
Other comprehensive income:				
Actuarial gains on defined benefit plans	-	-	180,000	180,000
Tax relating to other comprehensive income	-	-	(48,000)	(48,000)
Total comprehensive income for the year	-	-	795,755	795,755
<b>Balance at 31 December 2019</b>	61,245	-	10,450,973	10,512,218

# WERNICK BUILDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 1 Accounting policies

##### Company information

Wernick Buildings Limited is a private company limited by shares incorporated in England and Wales. The registered office is Molineux House, Russell Gardens, Wickford, Essex, SS11 8QG.

##### 1.1 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.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

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

- Section 7 'Statement of Cash Flows' – Presentation of a statement of cash flow and related notes and disclosures;
- Section 11 'Basic Financial Instruments' 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 Wernick Group (Holdings) Limited. These consolidated financial statements are available from Companies House.

##### 1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

##### 1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services 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.

When cash inflows are deferred and represent a financing arrangement, the fair value of the consideration is the present value of the future receipts. The difference between the fair value of the consideration and the nominal amount received is recognised as interest income.

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer (usually on dispatch of the goods), the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control of the goods sold, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

# WERNICK BUILDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

Revenue from contracts for the provision of professional services is recognised by reference to the stage of completion when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is calculated by comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

#### 1.4 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:

Leasehold land and buildings	straight line over the life of the lease
Plant and equipment	10% straight line
Fixtures and fittings	10% straight line
Motor vehicles	25% reducing balance

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.

#### 1.5 Impairment of fixed assets

At each reporting period end date, the company reviews the carrying amounts of its tangible 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). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

#### 1.6 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

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.

#### 1.7 Cash at bank and in hand

Cash and cash equivalents are basic financial assets 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.

# WERNICK BUILDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### 1.8 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 in the company's balance sheet 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 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 transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

##### **Other financial assets**

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

##### **Impairment of financial assets**

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

##### **Derecognition of financial assets**

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

##### **Classification of financial liabilities**

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

# WERNICK BUILDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### **Basic financial liabilities**

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, 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. Financial liabilities classified as payable within one year are not amortised.

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

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Other financial liabilities**

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

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

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

### 1.9 Equity instruments

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

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

### 1.10 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

#### **Current tax**

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

# WERNICK BUILDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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### 1 Accounting policies

(Continued)

#### **Deferred tax**

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

#### **1.11 Employee benefits**

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

#### **1.12 Retirement benefits**

##### **Defined benefit pension plan**

The company operates a defined benefit pension scheme on behalf of the Wernick Group and the pension charge is based on a valuation for the purposes of accounting under FRS 102 updated each year by a qualified actuary at 31 December 2018.

Scheme assets are measured at fair values. Scheme liabilities are measured on an actuarial basis using the projected unit method and are discounted at appropriate high quality corporate bond rates. The net surplus or deficit, adjusted for deferred tax, is presented separately from other assets on the Balance Sheet. A net surplus is recognised only to the extent that it is recoverable by the group.

The current service cost and costs from settlements and curtailments are charged against operating surplus. Past service costs are spread over the period until the benefit increases vest. Interest on the scheme liabilities and the expected return on the scheme assets are included in other finance expense. Actuarial gains and losses are reported in the Statement of Comprehensive Income.

##### **Defined contribution pension plan**

The company also operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The pension costs charged to the financial statements represent the contributions payable by the company during the year

#### **1.13 Leases**

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



# WERNICK BUILDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 1 Accounting policies

(Continued)

#### 1.14 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate that the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

### 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.

#### **Stock provisions**

The company makes a provision against slow moving stock to reduce its value to its net realisable value. The provision is based on the likelihood of the sale of goods and is therefore subject to judgements made by management.

### 3 Turnover and other revenue

The whole of the turnover was attributable to the principle activity of the company in the current and prior years.

All turnover arose within the United Kingdom in the current and prior years.

### 4 Operating profit

	2019	2018
	£	£
Operating profit for the year is stated after charging:		
Research and development costs	157,282	292,463
Fees payable to the company's auditor for the audit of the company's financial statements	8,750	8,750
Depreciation of owned tangible fixed assets	127,936	129,168
Loss on disposal of tangible fixed assets	1,703	2,255
Operating lease charges	131,593	76,141
	<u>          </u>	<u>          </u>

# WERNICK BUILDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 5 Employees

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

	2019 Number	2018 Number
Production	131	121
Management, office and administration	11	18
Sales	2	2
	<u>144</u>	<u>141</u>

Their aggregate remuneration comprised:

	2019 £	2018 £
Wages and salaries	4,107,847	3,675,665
Social security costs	373,302	316,154
Cost of defined benefit scheme	(124,814)	(177,000)
Cost of defined contribution scheme	139,753	162,806
	<u>4,496,088</u>	<u>3,977,625</u>

### 6 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	390,348	296,900
Company pension contributions to defined contribution schemes	29,050	24,492
	<u>419,398</u>	<u>321,392</u>

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018 - 2).

Remuneration disclosed above include the following amounts paid to the highest paid director:

	2019 £	2018 £
Remuneration for qualifying services	198,313	148,441
Company pension contributions to defined contribution schemes	12,481	16,465
	<u>210,794</u>	<u>164,906</u>

# WERNICK BUILDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 7 Interest payable and similar expenses

	2019 £	2018 £
Interest on defined benefit liability	59,000	45,000

### 8 Taxation

	2019 £	2018 £
<b>Current tax</b>		
UK corporation tax on profits for the current period	85,325	162,403
Adjustments in respect of prior periods	(70,414)	(1,866)
Total current tax	14,911	160,537
<b>Deferred tax</b>		
Origination and reversal of timing differences	(13,216)	(4,810)
Total tax charge	1,695	155,727

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2019 £	2018 £
Profit before taxation	665,450	921,826
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	126,436	175,147
Tax effect of expenses that are not deductible in determining taxable profit	(41,111)	2,853
Research and development tax credit	-	(28,428)
Other permanent differences	(13,216)	8,021
Under/(over) provided in prior years	(70,414)	(1,866)
Taxation charge for the year	1,695	155,727

In addition to the amount charged to the profit and loss account, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2019 £	2018 £
Deferred tax arising on:		
Actuarial differences recognised as other comprehensive income	48,000	(35,000)

# WERNICK BUILDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 9 Tangible fixed assets

	Leasehold land and buildings £	Plant and equipment £	Fixtures and fittings £	Motor vehicles £	Total £
<b>Cost</b>					
At 1 January 2019	48,913	964,605	274,764	450,555	1,738,837
Additions	-	58,469	5,015	170,962	234,446
Disposals	-	-	-	(164,039)	(164,039)
At 31 December 2019	48,913	1,023,074	279,779	457,478	1,809,244
<b>Depreciation and impairment</b>					
At 1 January 2019	48,913	713,345	223,032	203,861	1,189,151
Depreciation charged in the year	-	54,212	8,909	64,815	127,936
Eliminated in respect of disposals	-	-	-	(39,525)	(39,525)
At 31 December 2019	48,913	767,557	231,941	229,151	1,277,562
<b>Carrying amount</b>					
At 31 December 2019	-	255,517	47,838	228,327	531,682
At 31 December 2018	-	251,260	51,732	246,694	549,686

### 10 Stocks

	2019 £	2018 £
Raw materials and consumables	906,509	1,561,792
Finished goods and goods for resale	1,814,985	2,458,438
	2,721,494	4,020,230

### 11 Debtors

	2019 £	2018 £
<b>Amounts falling due within one year:</b>		
Trade debtors	3,775,242	3,934,328
Corporation tax recoverable	107,890	17,597
Amounts owed by group undertakings	6,443,557	6,241,236
Other debtors	35,135	-
Prepayments and accrued income	739,227	305,185
	11,101,051	10,498,346

# WERNICK BUILDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 11 Debtors (Continued)

	2019 £	2018 £
<b>Amounts falling due after more than one year:</b>		
Deferred tax asset (note 15)	6,171	-
	<u>          </u>	<u>          </u>
<b>Total debtors</b>	<u>11,107,222</u>	<u>10,498,346</u>

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

	2019 £	2018 £
Trade creditors	2,338,517	1,494,267
Other taxation and social security	416,939	429,081
Other creditors	1,040,337	2,209,118
Accruals and deferred income	209,442	384,711
	<u>          </u>	<u>          </u>
	<u>4,005,235</u>	<u>4,517,177</u>

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

	2019 £	2018 £
Other creditors	65,600	65,600
	<u>          </u>	<u>          </u>

### 14 Provisions for liabilities

	Notes	2019 £	2018 £
Deferred tax liabilities	15	-	7,045
Retirement benefit obligations	17	1,524,000	1,758,000
		<u>          </u>	<u>          </u>
		<u>1,524,000</u>	<u>1,765,045</u>

### 15 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon:

	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
<b>Balances:</b>				
Accelerated capital allowances	-	7,045	6,171	-
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

# WERNICK BUILDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

<b>15</b>	<b>Deferred taxation</b>	<b>(Continued)</b>	
		<b>2019</b>	
	<b>Movements in the year:</b>	<b>£</b>	
	Liability at 1 January 2019	7,045	
	Credit to profit or loss	(13,216)	
		<hr/>	
	Asset at 31 December 2019	(6,171)	
		<hr/>	
<b>16</b>	<b>Share capital</b>	<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
	<b>Ordinary share capital</b>		
	<b>Issued and fully paid</b>		
	61,245 Ordinary shares of £1 each	61,245	61,245
		<hr/>	<hr/>
<b>17</b>	<b>Retirement benefit schemes</b>	<b>2019</b>	<b>2018</b>
		<b>£</b>	<b>£</b>
	<b>Defined contribution schemes</b>		
	Charge to profit or loss in respect of defined contribution schemes	139,753	162,806
		<hr/>	<hr/>

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.

### Defined benefit schemes

Wernick Buildings Limited operates a pension scheme on behalf of the Wernick Group providing benefits based on final pensionable pay. Payments are made on behalf of other group companies and then recharged. The assets of the scheme are held separately from those of the company, being invested with insurance companies. Contributions to the scheme are charged to the statement of comprehensive income so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a professionally qualified actuary of Scottish Widows on the basis of triennial valuations using the projected unit method.

The costs, assets and liabilities of the defined benefit scheme are periodically assessed by actuarial valuation. The last full valuation was carried out at 6 April 2017 by a qualified actuary. Valuations for the purpose of accounting under FRS 102 are updated each year at 31 December by a qualified actuary.

# WERNICK BUILDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 17 Retirement benefit schemes

(Continued)

	2019 %	2018 %
<i>Key assumptions</i>		
Discount rate	2.0	2.9
Expected rate of increase of pensions in payment	1.6-2.0	1.7 - 2.2
Expected rate of salary increases	1.3	1.6
<i>Mortality assumptions</i>	2019 Years	2018 Years
Assumed life expectations on retirement at age 65:		
Retiring today		
- Males	20.4	20.3
- Females	22.4	22.3
Retiring in 20 years		
- Males	21.3	21.2
- Females	23.5	23.4
<i>Amounts recognised in the profit and loss account</i>	2019 £	2018 £
Current service cost	119,000	186,000
Net interest on defined benefit liability/(asset)	59,000	45,000
Total costs	178,000	231,000
<i>Amounts taken to other comprehensive income</i>	2019 £	2018 £
Return on scheme assets excluding interest income	(1,507,000)	809,000
Actuarial changes related to obligations	1,327,000	(472,000)
Total costs/(income)	(180,000)	337,000
The amounts included in the balance sheet arising from the company's obligations in respect of defined benefit plans are as follows:		
	2019 £	2018 £
Present value of defined benefit obligations	14,007,000	12,925,000
Fair value of plan assets	(12,171,000)	(10,807,000)
Deficit in scheme	1,836,000	2,118,000
Deferred taxation balance	(312,000)	(360,000)
Total liability recognised	1,524,000	1,758,000

# WERNICK BUILDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

### 17 Retirement benefit schemes

(Continued)

	<b>2019</b>
	<b>£</b>
<i>Movements in the present value of defined benefit obligations</i>	
Liabilities at 1 January 2019	12,925,000
Current service cost	119,000
Benefits paid	(752,000)
Contributions from scheme members	22,000
Actuarial gains and losses	1,327,000
Interest cost	366,000
	<hr/>
At 31 December 2019	14,007,000
	<hr/>

	<b>2019</b>
	<b>£</b>
<i>The defined benefit obligations arise from plans funded as follows:</i>	
Wholly or partly funded obligations	14,007,000
	<hr/>

	<b>2019</b>
	<b>£</b>
<i>Movements in the fair value of plan assets</i>	
Fair value of assets at 1 January 2019	10,807,000
Return on plan assets (excluding amounts included in net interest)	1,507,000
Benefits paid	(752,000)
Contributions by the employer	280,000
Contributions by scheme members	22,000
Interest income	307,000
	<hr/>
At 31 December 2019	12,171,000
	<hr/>

	<b>2019</b>	<b>2018</b>
	<b>£</b>	<b>£</b>
<i>Fair value of plan assets at the reporting period end</i>		
Equity instruments	9,789,000	9,206,000
Bonds	2,062,000	1,090,000
Cash	320,000	511,000
	<hr/>	<hr/>
	12,171,000	10,807,000
	<hr/>	<hr/>

### 18 Financial commitments, guarantees and contingent liabilities

The company is party to unlimited intercompany financial guarantees in respect of group borrowings of £12,887,896 (2018: £14,015,592) created by various legal charges over group assets. Additionally, there is an unlimited financial guarantee in respect of select group finance leases of £39,765,792 (2018: £19,249,552).



# **WERNICK BUILDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

***FOR THE YEAR ENDED 31 DECEMBER 2019***

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### **19 Ultimate controlling party**

S Wernick & Sons (Holdings) Limited is the company's immediate parent undertaking and Wernick Group (Holdings) Limited is the company's ultimate parent undertaking. The consolidated accounts of Wernick Group (Holdings) Limited are publically available from Companies House.

