

Company Registration No. 00711612 (England and Wales)

A.C. BACON ENGINEERING LTD

**DIRECTOR'S REPORT AND
FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 DECEMBER 2009

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A.C. BACON ENGINEERING LTD

COMPANY INFORMATION

Director	D G Bacon
Secretary	Mrs H M Bacon
Company number	00711612
Registered office	3 Hardman Street Manchester Greater Manchester M3 3HF
Auditors	Larking Gowen 1 Tavern Lane Dereham Norfolk NR19 1PX

A.C. BACON ENGINEERING LTD

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A.C. BACON ENGINEERING LTD

DIRECTOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2009

The director presents his report and financial statements for the year ended 31 December 2009

Principal activities and review of the business

The principal activity of the company continued to be that of construction and steelwork engineering

The director is pleased to report a satisfactory trading performance despite the economic downturn. The company has continued to benefit from its contracts in the agricultural sector.

Although competition in the industry has remained high the director considers that with its strong balance sheet the company is well placed to ride out the downturn and take advantage of any new opportunities that may arise.

The company has confirmed its commitment to the future by investing almost £1 million in new plant. This includes the purchase and installation of two new machines to expand its production capacity and to continue its focus on producing high quality products. A third machine has been purchased and installed since the year end.

The company's cost base enables it to maintain profitability at the current level of activity but also leaves it in a position to respond quickly to any increase in orders in the future.

The director uses three main performance indicators to monitor the financial performance of the company. They are gross profit, net profit and cashflow generation. The director is pleased to report that, for all three, the company has achieved and continues to achieve satisfactory results.

In common with every other business, the company aims to minimise financial risk. The measures used by the director to manage this risk includes the preparation of profit and cashflow forecasts and regular monitoring of actual performance against these forecasts. Contracts are closely monitored to keep the risk of bad debts to a minimum.

Results and dividends

The results for the year are set out on page 5.

The director does not recommend the payment of a dividend.

Market value of land and buildings

In the opinion of the director the market value of land and buildings exceeds the current net book value.

Post balance sheet events

In the post balance sheet period the company has entered into an agreement to buy back shares at a cost of £850,000.

Director

The following director has held office since 1 January 2009.

D G Bacon

A.C. BACON ENGINEERING LTD

DIRECTOR'S REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

Charitable donations	2009 £	2008 £
During the year the company made the following payments		
Charitable donations	2,896	2,481

Auditors

In accordance with the company's articles, a resolution proposing that Larking Gowen be reappointed as auditors of the company will be put at a General Meeting

Statement of director's responsibilities

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is 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 director is required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The director is 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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 auditors

So far as the director is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the director has taken all the necessary steps that he ought to have taken as director in order to make himself aware of all relevant audit information and to establish that the company's auditors are aware of that information

On behalf of the board



D G Bacon

Director

20 September 2010

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF A.C. BACON ENGINEERING LTD

We have audited the financial statements of A C Bacon Engineering Ltd for the year ended 31 December 2009 set out on pages 5 to 20. 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).

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 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 auditors' 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.

Respective responsibilities of director and auditors

As explained more fully in the Director's Responsibilities Statement set out on pages 1 - 2, the director is 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 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 Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the director, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITORS' REPORT (CONTINUED)
TO THE MEMBERS OF A.C. BACON ENGINEERING LTD**

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

**Christopher Greeves FCA (Senior Statutory Auditor)
for and on behalf of Larking Gowen**

24 September 2010

**Chartered Accountants
Statutory Auditors**

1 Tavern Lane
Dereham
Norfolk
NR19 1PX

A.C. BACON ENGINEERING LTD

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	2009 £	2008 £
Turnover	2	13,009,719	12,400,708
Cost of sales		(9,743,799)	(9,201,939)
Gross profit		3,265,920	3,198,769
Administrative expenses		(2,842,698)	(2,803,087)
Other operating income		11,213	12,671
Operating profit	3	434,435	408,353
Other interest receivable and similar income	4	21,930	95,716
Interest payable and similar charges	5	(13,052)	(16,096)
Profit on ordinary activities before taxation		443,313	487,973
Tax on profit on ordinary activities	6	(124,628)	(121,461)
Profit for the year	16	318,685	366,512

The profit and loss account has been prepared on the basis that all operations are continuing operations

A.C. BACON ENGINEERING LTD

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	2008
Notes	£	£
Profit for the financial year	318,685	366,512
Unrealised surplus on revaluation of properties	174,990	-
Total recognised gains and losses relating to the year	<u>493,675</u>	<u>366,512</u>

A.C. BACON ENGINEERING LTD

BALANCE SHEET

AS AT 31 DECEMBER 2009

	Notes	2009		2008	
		£	£	£	£
Fixed assets					
Tangible assets	7 and 8		4,480,284		3,109,161
Current assets					
Stocks	9	830,116		1,144,289	
Debtors	10	1,306,969		1,104,349	
Cash at bank and in hand		1,080,643		2,126,096	
		<u>3,217,728</u>		<u>4,374,734</u>	
Creditors: amounts falling due within one year	11	<u>(1,532,311)</u>		<u>(1,881,710)</u>	
Net current assets			<u>1,685,417</u>		<u>2,493,024</u>
Total assets less current liabilities			<u>6,165,701</u>		<u>5,602,185</u>
Creditors. amounts falling due after more than one year	12		(24,416)		(54,923)
Provisions for liabilities	13		<u>(368,578)</u>		<u>(268,230)</u>
			<u>5,772,707</u>		<u>5,279,032</u>
Capital and reserves					
Called up share capital	15		3,800		3,800
Revaluation reserve	16		174,990		-
Other reserves	16		1,200		1,200
Profit and loss account	16		5,592,717		5,274,032
Shareholders' funds	17		<u>5,772,707</u>		<u>5,279,032</u>

Approved by the Board and authorised for issue on 20 September 2010



G Bacon
Director

Company Registration No. 00711612

A.C. BACON ENGINEERING LTD

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2009

	Notes	£	2009 £	£	2008 £
Net cash inflow from operating activities	25		660,942		1,230,417
Returns on investments and servicing of finance					
Interest received		21,930		95,716	
Interest paid		(3,416)		(5,341)	
Interest element of finance lease rentals		(9,636)		(10,755)	
Net cash inflow for returns on investments and servicing of finance			8,878		79,620
Taxation			(124,953)		(201,023)
Capital expenditure					
Payments to acquire tangible assets		(1,528,282)		(133,945)	
Receipts from sales of tangible assets		40,415		19,581	
Net cash outflow for capital expenditure			(1,487,867)		(114,364)
Net cash (outflow)/inflow before management of liquid resources and financing			(943,000)		994,650
Financing					
Capital element of hire purchase contracts		(102,453)		(180,446)	
Net cash outflow from financing			(102,453)		(180,446)
(Decrease)/increase in cash in the year	26, 27		<u>(1,045,453)</u>		<u>814,204</u>

A.C. BACON ENGINEERING LTD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

1 Accounting policies

1.1 Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of freehold land and buildings

1.2 Compliance with accounting standards

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

1.3 Turnover

Turnover represents work done for outside customers at invoiced amounts less VAT. Where amounts are invoiced in advance of work being performed, an amount relating to future performance is deferred and is included in creditors as excess payments in advance.

1.4 Tangible fixed assets and depreciation

Tangible fixed assets other than freehold land are stated at cost or valuation less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation less estimated residual value of each asset over its expected useful life, as follows:

Freehold land and buildings	2% straight line on buildings, land not depreciated
Leasehold property improvements	straight line over period of lease
Plant and machinery	8.5% straight line and 15% reducing balance
Motor vehicles	10%, 20% and 25% reducing balance

Investment properties are included in the balance sheet at their open market value. Depreciation is provided only on those investment properties which are leasehold and where the unexpired lease term is less than 20 years.

Although this accounting policy is in accordance with the applicable accounting standard, SSAP 19, Accounting for investment properties, it is a departure from the general requirement of the Companies Act 2006 for all tangible assets to be depreciated. In the opinion of the director compliance with the standard is necessary for the financial statements to give a true and fair view. Depreciation or amortisation is only one of many factors reflected in the annual valuation and the amount of this which might otherwise have been charged cannot be separately identified or quantified.

1.5 Leasing

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

A.C. BACON ENGINEERING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

1 Accounting policies **(continued)**

1.6 Stock and work in progress

Stock and work in progress are valued at the lower of cost and net realisable value

Work in progress is stated at prime cost plus contracting overheads. No account is taken of profits until the contract is finally completed.

Progress payments received attributable to the value of contracts are deducted in presenting the value of work in progress in the financial statements.

1.7 Pensions

The company operates defined contribution schemes for the benefit of its employees. Contributions payable are charged to the profit and loss account in the year they are payable.

1.8 Deferred taxation

Deferred taxation is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

2 Turnover

The total turnover of the company for the year has been derived from its principal activity wholly undertaken in the United Kingdom.

3 Operating profit	2009	2008
	£	£
Operating profit is stated after charging		
Depreciation of tangible assets	284,510	291,627
Loss on disposal of tangible assets	7,224	6,638
Operating lease rentals		
- Plant and machinery	461,324	745,299
- Other assets	62,950	57,000
Auditors' remuneration (including expenses and benefits in kind)	9,275	9,000
	<u> </u>	<u> </u>

4 Investment income	2009	2008
	£	£
Bank interest	21,930	95,716
	<u> </u>	<u> </u>
	<u>21,930</u>	<u>95,716</u>

A.C. BACON ENGINEERING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

5	Interest payable	2009 £	2008 £
	On bank loans and overdrafts	3,416	5,341
	Lease finance charges	9,636	10,755
		<u>13,052</u>	<u>16,096</u>
6	Taxation	2009 £	2008 £
	Domestic current year tax		
	U K corporation tax	24,280	124,952
	Adjustment for prior years	-	(11,860)
	Current tax charge	<u>24,280</u>	<u>113,092</u>
	Deferred tax		
	Deferred tax charge/credit current year	100,348	(1,763)
	Deferred tax adjust re previous year	-	10,132
		<u>100,348</u>	<u>8,369</u>
		<u>124,628</u>	<u>121,461</u>
	Factors affecting the tax charge for the year		
	Profit on ordinary activities before taxation	<u>443,313</u>	<u>487,973</u>
	Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 28.00% (2008 - 28.00%)	<u>124,128</u>	<u>136,632</u>
	Effects of		
	Non deductible expenses	4,490	3,184
	Capital allowances less than depreciation and profit on assets	(103,932)	10,454
	Movement on other timing differences	(406)	(8,585)
	Marginal relief	-	(16,732)
	Adjustments to previous periods	-	(11,861)
		<u>(99,848)</u>	<u>(23,540)</u>
	Current tax charge	<u>24,280</u>	<u>113,092</u>

A.C. BACON ENGINEERING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

7 Tangible fixed assets

	Freehold land and buildings £	Leasehold property imp'ments £	Plant and machinery £	Motor vehicles £	Total £
Cost or valuation					
At 1 January 2009	1,642,532	-	2,056,578	2,557,997	6,257,107
Additions	67,510	86,420	971,029	139,869	1,264,828
Disposals	(9,822)	-	(33,817)	(115,573)	(159,212)
At 31 December 2009	1,700,220	86,420	2,993,790	2,582,293	7,362,723
Depreciation					
At 1 January 2009	246,313	-	1,659,775	1,337,165	3,243,253
On disposals	(660)	-	(33,487)	(77,426)	(111,573)
Charge for the year	25,260	961	70,093	188,196	284,510
At 31 December 2009	270,913	961	1,696,381	1,447,935	3,416,190
Net book value					
At 31 December 2009	1,429,307	85,459	1,297,409	1,134,358	3,946,533
At 31 December 2008	1,396,219	-	396,803	1,220,832	3,013,854

Included above are assets held under finance leases or hire purchase contracts as follows

	Plant and machinery £
Net book values	
At 31 December 2009	77,193
At 31 December 2008	677,237
Depreciation charge for the year	
At 31 December 2009	19,296
At 31 December 2008	69,430

Included above is land not depreciated at cost of £379,360 (2008 £379,360)

A.C. BACON ENGINEERING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

8 Tangible fixed assets

	Investment properties £
Cost or valuation	
At 1 January 2009	111,707
Additions	263,454
Revaluation	158,590
	<hr/>
At 31 December 2009	533,751
	<hr/>
Depreciation	
At 1 January 2009	16,400
Revaluation	(16,400)
	<hr/>
At 31 December 2009	-
	<hr/>
Net book value	
At 31 December 2009	533,751
	<hr/> <hr/>
At 31 December 2008	95,307
	<hr/> <hr/>

Following the acquisition of a further investment property during the year the company has now adopted the provisions of SSAP 19 and revalued its investment properties at the year end. Had this policy been adopted in the previous year, investment properties would have stood at an estimated market value of £300,000 and the revaluation reserve at £204,693.

The valuations of investment properties were made as at 31 December 2009 by Mr D G Bacon, the director, on an open market basis. No depreciation is provided in respect of these properties.

On an historical cost basis these would have been included at an original cost of £375,160 (2008 - £111,707), and aggregate depreciation of £23,473 (2008 - £16,400).

Should the investment properties be sold at their market value a tax liability of approximately £35,000 (2008 - £45,000) would arise. No provision for this contingent liability has been made as it is not expected that any liability will arise in the foreseeable future.

9 Stocks and work in progress	2009 £	2008 £
Raw materials and consumables	250,542	297,465
Work in progress	579,574	846,824
	<hr/>	<hr/>
	830,116	1,144,289
	<hr/> <hr/>	<hr/> <hr/>

There is no material difference between the replacement cost of stocks and the amounts stated above.

A.C. BACON ENGINEERING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

10 Debtors	2009	2008
	£	£
Trade debtors	1,072,581	947,798
Other debtors	95,964	20,673
Prepayments and accrued income	138,424	135,878
	<u>1,306,969</u>	<u>1,104,349</u>

Amounts falling due after more than one year and included in the debtors above are

	2009	2008
	£	£
Trade debtors	<u>87,455</u>	<u>81,942</u>

11 Creditors amounts falling due within one year	2009	2008
	£	£
Payments received on account	133,113	379,400
Net obligations under finance leases	30,507	102,453
Trade creditors	714,067	726,560
Corporation tax	24,279	124,952
Other taxes and social security costs	351,487	375,127
Other creditors	156,146	41,132
Accruals and deferred income	122,712	132,086
	<u>1,532,311</u>	<u>1,881,710</u>

Net obligations under finance lease and hire purchase contracts are secured by fixed charges on the assets concerned

A.C. BACON ENGINEERING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

12 Creditors amounts falling due after more than one year	2009 £	2008 £
Net obligations under finance leases	<u>24,416</u>	<u>54,923</u>
Net obligations under finance lease and hire purchase contracts are secured by fixed charges on the assets concerned		
Net obligations under finance leases		
Repayable within one year	30,507	102,453
Repayable between one and five years	<u>24,416</u>	<u>54,923</u>
	54,923	157,376
Included in liabilities falling due within one year	<u>(30,507)</u>	<u>(102,453)</u>
	<u>24,416</u>	<u>54,923</u>

13 Provisions for liabilities

	Deferred tax liability £
Balance at 1 January 2009	268,230
Profit and loss account	<u>100,348</u>
Balance at 31 December 2009	<u>368,578</u>

The deferred tax liability is made up as follows

	2009 £	2008 £
Accelerated capital allowances	376,264	251,487
Other timing differences	<u>(7,686)</u>	<u>16,743</u>
	<u>368,578</u>	<u>268,230</u>

A.C. BACON ENGINEERING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

14 Pension and other post-retirement benefit commitments

Defined contribution

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund. At 31 December 2009 the amount payable was £5,055 (2008 - £6,267)

	2009 £	2008 £
Contributions payable by the company for the year	89,475	471,224

15 Share capital

	2009 £	2008 £
Authorised		
5,000 Ordinary of £1 each	5,000	5,000
Allotted, called up and fully paid		
3,800 Ordinary of £1 each	3,800	3,800

16 Statement of movements on reserves

	Revaluation reserve £	Other reserves (see below) £	Profit and loss account £
Balance at 1 January 2009	-	1,200	5,274,032
Profit for the year	-	-	318,685
Revaluation during the year	174,990	-	-
Balance at 31 December 2009	174,990	1,200	5,592,717

Other reserves

Capital redemption reserve

Balance at 1 January 2009 & at 31 December 2009

1,200

In accordance with Financial Reporting Standards the revaluation reserve represents the difference between the market value of the investment properties held and their cost

A.C. BACON ENGINEERING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

17 Reconciliation of movements in shareholders' funds	2009	2008
	£	£
Profit for the financial year	318,685	366,512
Other recognised gains and losses	174,990	-
	<hr/>	<hr/>
Net addition to shareholders' funds	493,675	366,512
Opening shareholders' funds	5,279,032	4,912,520
	<hr/>	<hr/>
Closing shareholders' funds	<u>5,772,707</u>	<u>5,279,032</u>

18 Financial commitments

At 31 December 2009 the company was committed to making the following payments under non-cancellable operating leases in the year to 31 December 2010

	Land and buildings	
	2009	2008
	£	£
Operating leases which expire In over five years	92,600	57,000
	<hr/>	<hr/>

19 Capital commitments

At 31 December 2009 the company had capital commitments as follows

	2009	2008
	£	£
Contracted for but not provided in the financial statements	<u>225,000</u>	<u>-</u>

A.C. BACON ENGINEERING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

20 Director's emoluments	2009 £	2008 £
Emoluments for qualifying services	288,212	129,201
Company pension contributions to money purchase schemes	30,000	157,144
	<u>318,212</u>	<u>286,345</u>

The number of directors for whom retirement benefits are accruing under money purchase pension schemes amounted to 1 (2008 - 1)

Emoluments disclosed above include the following amounts paid to the highest paid director

Emoluments for qualifying services	288,213	108,801
Company pension contributions to money purchase schemes	30,000	157,144
	<u>318,213</u>	<u>265,945</u>

21 Employees

Number of employees

The average monthly number of employees (including directors) during the year was

	2009 Number	2008 Number
Direct labour	52	55
Office and management	34	41
	<u>86</u>	<u>96</u>

Employment costs

	2009 £	2008 £
Wages and salaries	2,643,945	2,819,570
Other pension costs	89,475	471,224
	<u>2,733,420</u>	<u>3,290,794</u>

22 Control

The company is controlled by Mr D G Bacon

A.C. BACON ENGINEERING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

23 Related party transactions

The company leases premises from NOCAB SORB Executive Pension Scheme, a small self administered scheme of which Mr D G Bacon is a member and trustee. Rent paid in the year was £62,950 (2008 £57,000). At the year end £Nil (2008 £Nil) was owed by the company. During the year the company spent £86,420 (2008 £Nil) on improvements to the leasehold premises.

The company incurs all the administrative costs associated with the above scheme.

The pension fund made payments totalling £5,400 (2008 £5,400) to the company for ground rent. At the year end £Nil (2008 £Nil) was owed to the company.

At the year end the company was owed £Nil (2008 £4,172) by Mr A Bacon, son of Mr D G Bacon. Interest was charged at 6.25% per annum.

At the year end the company was owed £Nil (2008 £4,800) by Mr R A Bacon, a shareholder. The loan was interest free.

At the year end the company was owed £Nil (2008 £1,816) by Waveney Surfacing Ltd, a company controlled by Mrs H M Bacon, the wife of the director. Interest was charged at 6.25% per annum.

During the year the company made sales of £2,303 (2008 £3,333) to Waveney Surfacing Ltd. At the year end the company was owed £Nil (2008 £1,600).

During the year the company made sales of £6,789 (2008 £2,317) to Mr P J Bacon, a shareholder.

During the year the company sold a motor vehicle to Mr D G Bacon at its market value of £11,550.

At the year end the company owed £118,000 (2008 £Nil) to Mr D G Bacon in respect of undrawn remuneration.

24 Post balance sheet events

In the post balance sheet period the company has entered into an agreement to buy back shares at a cost of £850,000.

25 Reconciliation of operating profit to net cash inflow from operating activities	2009	2008
	£	£
Operating profit	434,435	408,353
Depreciation of tangible assets	284,510	291,627
Loss on disposal of tangible assets	7,224	6,638
Decrease in stocks	314,173	521,570
(Increase)/decrease in debtors	(202,620)	381,412
Decrease in creditors within one year	(176,780)	(329,183)
Other reserve movement	-	(50,000)
Net cash inflow from operating activities	660,942	1,230,417

A.C. BACON ENGINEERING LTD

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2009

26 Analysis of net funds	1 January 2009	Cash flow	Other non-cash changes	31 December 2009
	£	£	£	£
Net cash				
Cash at bank and in hand	2,126,096	(1,045,453)	-	1,080,643
Debt				
Finance leases	(157,376)	102,453	-	(54,923)
Net funds	1,968,720	(943,000)	-	1,025,720

27 Reconciliation of net cash flow to movement in net funds	2009	2008
	£	£
(Decrease)/increase in cash in the year	(1,045,453)	814,204
Cash outflow from decrease in debt and lease financing	102,453	90,446
Movement in net funds in the year	(943,000)	904,650
Opening net funds	1,968,720	1,064,070
Closing net funds	1,025,720	1,968,720