

Registered number: 00711612

A.C. BACON ENGINEERING LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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A.C. BACON ENGINEERING LIMITED

COMPANY INFORMATION

| | |
|-----------------------------|--|
| Directors | D G Bacon C Strugnell B G Tipple A D Bacon (appointed 27 March 2017) |
| Company secretary | Mrs H M Bacon |
| Registered number | 00711612 |
| Registered office | 3 Hardman Street Manchester Greater Manchester M3 3HF |
| Independent auditors | Larking Gowen Chartered Accountants & Statutory Auditors 1 Tavern Lane Dereham Norfolk NR19 1PX |

A.C. BACON ENGINEERING LIMITED

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A.C. BACON ENGINEERING LIMITED

**STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

Introduction

The directors present their Strategic report for A.C. Bacon Engineering Limited for the year ended 31 December 2016.

Business review

The directors are satisfied with the Company's performance during the year. Turnover has continued to increase, but this year has seen a decrease in profitability compared to 2015.

Shortly before the year end a new parent company, A.C. Bacon Engineering (Holdings) Limited, was formed as part of a group reconstruction.

Principal risks and uncertainties

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

Financial key performance indicators

The directors use three main performance indicators to monitor the financial performance of the Company. They are gross profit, net profit and cashflow generation from operations. The directors are pleased to report that, for all three, the Company has achieved and continues to achieve satisfactory results.

This report was approved by the board and signed on its behalf.



D G Bacon
Director

Date:

22/9/2017

A.C. BACON ENGINEERING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the financial statements for the year ended 31 December 2016.

Directors' responsibilities statement

The directors are responsible for preparing the Strategic report, 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 for the Company's financial statements and then apply them consistently;
- make judgments 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 to 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.

Principal activity

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

Results and dividends

The profit for the year, after taxation, amounted to £1,093,063 (2015 - £1,600,382).

Dividends paid during the year amounted to £398,250 (2015 - £nil). The directors do not recommend the payment of a final dividend (2015 - £nil).

Directors

The directors who served during the year were:

D G Bacon
C Strugnell
B G Tipple

Future developments

Enquiries and orders remain strong and the company is well placed to continue to benefit from the upturn in the economy.

A.C. BACON ENGINEERING LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016**

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, Larking Gowen, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



D G Bacon
Director

Date: 22/9/2017.

A.C. BACON ENGINEERING LIMITED

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

We have audited the financial statements of A.C. Bacon Engineering Limited for the year ended 31 December 2016, set out on pages 6 to 27. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 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 Directors and Auditors

As explained more fully in the Directors' responsibilities statement on page 2, 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 Financial Reporting Council's Ethical Standards for Auditors.

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 www.frc.org.uk/apb/scope/UKNP.

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 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the 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 those financial statements and such reports have been prepared in accordance with applicable legal requirements.

In the light of our 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.

A.C. BACON ENGINEERING LIMITED

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

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
Chartered Accountants
Statutory Auditors
Dereham

Date: *25 September 2017*

A.C. BACON ENGINEERING LIMITED

**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2016**

| | Note | 2016 £ | 2015 £ |
|--|------|------------------|------------------|
| Turnover | 4 | 18,509,797 | 17,184,034 |
| Cost of sales | | (14,499,473) | (12,598,749) |
| Gross profit | | 4,010,324 | 4,585,285 |
| Administrative expenses | | (2,772,306) | (2,715,135) |
| Other operating income | 5 | 34,401 | 24,226 |
| Gain from changes in fair value of investment property | | 77,843 | 53,077 |
| Operating profit | 6 | 1,350,262 | 1,947,453 |
| Interest receivable and similar income | 9 | 5,789 | 6,051 |
| Interest payable and expenses | 10 | (18,365) | (11,368) |
| Profit before tax | | 1,337,686 | 1,942,136 |
| Tax on profit | 11 | (244,623) | (341,754) |
| Profit after tax | | 1,093,063 | 1,600,382 |
| Retained earnings at the beginning of the year | | 8,095,004 | 6,494,622 |
| | | 8,095,004 | 6,494,622 |
| Profit for the year | | 1,093,063 | 1,600,382 |
| Dividends declared and paid | | (398,250) | - |
| Retained earnings at the end of the year | | 8,789,817 | 8,095,004 |

There were no recognised gains and losses for 2016 or 2015 other than those included in the statement of income and retained earnings.

A.C. BACON ENGINEERING LIMITED
REGISTERED NUMBER: 00711612

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

| | Note | 2016 £ | 2015 £ |
|---|------|-------------------------|-------------------------|
| Fixed assets | | | |
| Tangible assets | 13 | 4,321,815 | 4,496,436 |
| Investment property | 14 | 1,181,750 | 937,500 |
| | | <u>5,503,565</u> | <u>5,433,936</u> |
| Current assets | | | |
| Stocks | 15 | 1,031,041 | 906,324 |
| Debtors: amounts falling due after more than one year | 16 | 515,236 | 239,402 |
| Debtors: amounts falling due within one year | 16 | 3,894,161 | 3,296,689 |
| Cash at bank and in hand | 17 | 1,124,261 | 1,378,233 |
| | | <u>6,564,699</u> | <u>5,820,648</u> |
| Creditors: amounts falling due within one year | 18 | (2,609,901) | (2,323,067) |
| Net current assets | | <u>3,954,798</u> | <u>3,497,581</u> |
| Total assets less current liabilities | | <u>9,458,363</u> | <u>8,931,517</u> |
| Creditors: amounts falling due after more than one year | 19 | (305,499) | (420,663) |
| Provisions for liabilities | | | |
| Deferred tax | 23 | (344,433) | (350,105) |
| Other provisions | 24 | (13,614) | (60,745) |
| | | <u>(358,047)</u> | <u>(410,850)</u> |
| Net assets | | <u><u>8,794,817</u></u> | <u><u>8,100,004</u></u> |
| Capital and reserves | | | |
| Called up share capital | 25 | 2,950 | 2,950 |
| Capital redemption reserve | 26 | 2,050 | 2,050 |
| Profit and loss account | 26 | 8,789,817 | 8,095,004 |
| | | <u>8,794,817</u> | <u>8,100,004</u> |

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

A.C. BACON ENGINEERING LIMITED
REGISTERED NUMBER: 00711612

STATEMENT OF FINANCIAL POSITION (CONTINUED)
AS AT 31 DECEMBER 2016



D G Bacon
Director

Date: 22/9/2017.

The notes on pages 11 to 27 form part of these financial statements.

A.C. BACON ENGINEERING LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

| | 2016 £ | 2015 £ |
|---|------------------|--------------------|
| Cash flows from operating activities | | |
| Profit for the financial year | 1,093,063 | 1,600,382 |
| Adjustments for: | | |
| Depreciation of tangible assets | 516,401 | 432,341 |
| Loss on disposal of tangible assets | (54,288) | (1,976) |
| Interest paid | 18,365 | 11,368 |
| Interest received | (5,789) | (6,051) |
| Taxation charge | 244,623 | 341,754 |
| (Increase)/decrease in stocks | (124,717) | 366,391 |
| Decrease/(increase) in debtors | 381,844 | (1,664,147) |
| (Increase)/decrease in amounts owed by groups | (1,255,150) | - |
| Increase in creditors | 332,347 | 15,460 |
| (Decrease)/increase in provisions | (47,131) | 23,013 |
| Net fair value (gains) recognised in P&L | (77,843) | (53,078) |
| Corporation tax (paid) | (298,501) | (322,877) |
| Net cash generated from operating activities | 723,224 | 742,580 |
| Cash flows from investing activities | | |
| Purchase of tangible fixed assets | (348,492) | (1,686,975) |
| Sale of tangible fixed assets | 61,000 | 5,205 |
| Purchase of investment properties | (166,407) | (196,650) |
| Interest received | 5,789 | 6,051 |
| HP interest paid | (12,098) | (2,544) |
| Net cash from investing activities | (460,208) | (1,874,913) |
| Cash flows from financing activities | | |
| Repayment of loans | (17,305) | (91,756) |
| Repayment of finance leases | (95,166) | 454,996 |
| Dividends paid | (398,250) | - |
| Interest paid | (6,267) | (8,824) |
| Net cash used in financing activities | (516,988) | 354,416 |

A.C. BACON ENGINEERING LIMITED

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2016

| | 2016 £ | 2015 £ |
|---|-------------------------|------------------|
| Net (decrease) in cash and cash equivalents | <u>(253,972)</u> | <u>(777,917)</u> |
| Cash and cash equivalents at beginning of year | 1,378,233 | 2,156,150 |
| Cash and cash equivalents at the end of year | <u>1,124,261</u> | <u>1,378,233</u> |
| Cash and cash equivalents at the end of year comprise: | | |
| Cash at bank and in hand | <u>1,124,261</u> | <u>1,378,233</u> |

A.C. BACON ENGINEERING LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

1. General information

A C Bacon Engineering Limited is a company incorporated in England and Wales, registration number 00711612. The registered office is 3 Hardman Street, Manchester, Greater Manchester, M3 3HF.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are presented in Sterling (£).

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 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.

Included in turnover is revenue derived from construction contracts. Profit on construction contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Full provision is made for losses on all contracts in the year in which they are first foreseen.

2.3 Tangible fixed assets

Tangible fixed assets under the cost model, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

A.C. BACON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.3 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, as detailed below.

Depreciation is provided on the following basis:

| | |
|-------------------------------|--|
| Freehold property | - 2% straight line on buildings, land not depreciated. |
| Short-term leasehold property | - 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 |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of income and retained earnings.

2.4 Investment property

Investment property is carried at fair value determined annually by external valuers and derived from the current market rents and investment property yields for comparable real estate, adjusted if necessary for any difference in the nature, location or condition of the specific asset. No depreciation is provided. Changes in fair value are recognised in the Statement of income and retained earnings.

2.5 Stocks

Stocks are stated at the lower of cost and net realisable value, being the 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, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

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

2.6 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

A.C. BACON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.7 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

2.8 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of income and retained earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when there is an 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.

2.9 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

A.C. BACON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.10 Finance costs

Finance costs are charged to the Statement of income and retained earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.11 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.12 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to the Statement of income and retained earnings on a straight line basis over the lease term.

2.13 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of income and retained earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

2.14 Interest income

Interest income is recognised in the Statement of income and retained earnings using the effective interest method.

2.15 Borrowing costs

All borrowing costs are recognised in the Statement of income and retained earnings in the year in which they are incurred.

A.C. BACON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

2. Accounting policies (continued)

2.16 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of income and retained earnings in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of financial position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of financial position.

2.17 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of income and retained earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of financial position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

A.C. BACON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where these judgements and estimates have been made include:

The annual depreciation 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.

Trade debtors are provided for on the basis of expected recoverability. When assessing impairment of trade debtors, the directors consider factors including the ageing profile of debtors and historical experience.

Investment property valuations have been made by the directors, based upon open market values for similar properties.

The directors also make judgements applying the accounting policy for construction contracts as outlined above. This includes the assessment of profits, losses and determining when the outcome of a contract can be assessed with reasonable certainty.

Provision is made for estimated warranty repair costs based on historic data of actual costs incurred.

4. Turnover

The whole of the turnover is attributable to the principal activities of the Company being construction and steelwork engineering.

All turnover arose within the United Kingdom.

5. Other operating income

| | 2016 | 2015 |
|----------------------|----------------------|----------------------|
| | £ | £ |
| Net rents receivable | 33,249 | 24,226 |
| Sundry income | 1,152 | - |
| | <u><u>34,401</u></u> | <u><u>24,226</u></u> |

A.C. BACON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

6. Operating profit

The operating profit is stated after charging:

| | 2016 | 2015 |
|---|------------------------------------|------------------------------------|
| | £ | £ |
| Depreciation of tangible fixed assets | 516,401 | 432,341 |
| Profit on disposal of fixed assets | (54,288) | (1,976) |
| Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements | 10,786 | 10,750 |
| Other operating lease rentals | 96,062 | 96,062 |
| Defined contribution pension cost | 68,417 | 71,151 |
| | <u> </u> | <u> </u> |

7. Employees

Staff costs, including directors' remuneration, were as follows:

| | 2016 | 2015 |
|-------------------------------------|-------------------------|-------------------------|
| | £ | £ |
| Wages and salaries | 3,383,248 | 3,334,428 |
| Cost of defined contribution scheme | 68,417 | 71,151 |
| | <u>3,451,665</u> | <u>3,405,579</u> |

The average monthly number of employees, including the directors, during the year was as follows:

| | 2016 | 2015 |
|-----------------------|-------------------|------------------|
| | No. | No. |
| Direct labour | 69 | 65 |
| Office and management | 36 | 32 |
| | <u>105</u> | <u>97</u> |

A.C. BACON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

8. Directors' remuneration

| | 2016 | 2015 |
|---|----------------|-------------|
| | £ | £ |
| Directors' emoluments | 227,229 | 226,162 |
| Company contributions to defined contribution pension schemes | 5,174 | 5,124 |
| | 232,403 | 231,286 |

During the year retirement benefits were accruing to 3 directors (2015 - 3) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £79,684 (2015 - £79,769).

9. Interest receivable

| | 2016 | 2015 |
|---------------------------|--------------|-------------|
| | £ | £ |
| Other interest receivable | 5,789 | 6,051 |

10. Interest payable and similar charges

| | 2016 | 2015 |
|--|---------------|-------------|
| | £ | £ |
| Bank interest payable | 6,267 | 8,824 |
| Finance leases and hire purchase contracts | 12,098 | 2,544 |
| | 18,365 | 11,368 |

A.C. BACON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

11. Taxation

| | 2016 £ | 2015 £ |
|--|----------------|----------------|
| Corporation tax | | |
| Current tax on profits for the year | 250,295 | 298,522 |
| Total current tax | <u>250,295</u> | <u>298,522</u> |
| Deferred tax | | |
| Origination and reversal of timing differences | (5,672) | 43,232 |
| Total deferred tax | <u>(5,672)</u> | <u>43,232</u> |
| Taxation on profit on ordinary activities | <u>244,623</u> | <u>341,754</u> |

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 - lower than) the standard rate of corporation tax in the UK of 20% (2015 - 20.25%). The differences are explained below:

| | 2016 £ | 2015 £ |
|---|----------------|----------------|
| Profit on ordinary activities before tax | 1,337,686 | 1,942,136 |
| Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2015 - 20.25%) | 267,537 | 393,283 |
| Effects of: | | |
| Expenses not deductible for tax purposes, other than goodwill amortisation and impairment | 2,488 | 290 |
| Fixed asset differences | 5,641 | 5,604 |
| Non-taxable income | (15,569) | (10,799) |
| Potential chargeable gains in future periods | 6,407 | 7,130 |
| Changes in tax rate leading to an increase (decrease) in the tax charge | (21,881) | (53,738) |
| Marginal relief | - | (16) |
| Total tax charge for the year | <u>244,623</u> | <u>341,754</u> |

Factors that may affect future tax charges

Investment properties are stated at market value. Should these be sold at this value, a tax liability of approximately £40,100 (2015 - £33,700) would arise.

A.C. BACON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

12. Dividends

| | 2016 £ | 2015 £ |
|------------------------|----------------|-----------|
| Ordinary dividend paid | <u>398,250</u> | <u>-</u> |

13. Tangible fixed assets

| | Freehold property £ | Short-term leasehold property £ | Plant and machinery £ | Motor vehicles £ | Total £ |
|--------------------------|---------------------------|--|-----------------------------|------------------------|------------------|
| Cost or valuation | | | | | |
| At 1 January 2016 | 1,707,791 | 86,420 | 3,366,459 | 4,099,122 | 9,259,792 |
| Additions | 1,294 | - | 157,893 | 189,305 | 348,492 |
| Disposals | - | - | - | (222,035) | (222,035) |
| At 31 December 2016 | <u>1,709,085</u> | <u>86,420</u> | <u>3,524,352</u> | <u>4,066,392</u> | <u>9,386,249</u> |
| Depreciation | | | | | |
| At 1 January 2016 | 428,774 | 11,257 | 2,140,706 | 2,182,619 | 4,763,356 |
| Charge for the year | 26,424 | 1,716 | 175,668 | 312,593 | 516,401 |
| Disposals | - | - | - | (215,323) | (215,323) |
| At 31 December 2016 | <u>455,198</u> | <u>12,973</u> | <u>2,316,374</u> | <u>2,279,889</u> | <u>5,064,434</u> |
| Net book value | | | | | |
| At 31 December 2016 | <u>1,253,887</u> | <u>73,447</u> | <u>1,207,978</u> | <u>1,786,503</u> | <u>4,321,815</u> |
| At 31 December 2015 | <u>1,279,017</u> | <u>75,163</u> | <u>1,225,753</u> | <u>1,916,503</u> | <u>4,496,436</u> |

Included within land and buildings is freehold land at cost of £379,360 (2015 - £379,360) which is not depreciated.

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

| | 2016 £ | 2015 £ |
|----------------|----------------|----------------|
| Motor vehicles | <u>743,209</u> | <u>797,437</u> |

A.C. BACON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

14. Investment property

| | Freehold investment property £ |
|----------------------------|---|
| Valuation | |
| At 1 January 2016 | 937,500 |
| Additions at cost | 166,407 |
| Surplus on revaluation | 77,843 |
| At 31 December 2016 | 1,181,750 |

The 2016 valuations were made by the directors, on an open market value for existing use basis.

If the Investment properties had been accounted for under the historic cost accounting rules, the properties would have been measured as follows:

| | 2016 £ | 2015 £ |
|--|-------------------|-------------------|
| Historic cost | 848,055 | 681,348 |
| Accumulated depreciation and impairments | (69,497) | (54,939) |
| | 778,558 | 626,409 |

15. Stocks

| | 2016 £ | 2015 £ |
|---------------------|-------------------|-------------------|
| Raw materials | 150,470 | 148,327 |
| Work in progress | 1,364,545 | 1,110,648 |
| Payments on account | (483,974) | (352,651) |
| | 1,031,041 | 906,324 |

Stock recognised in cost of sales during the year as an expense was £11,778,313 (2015 - £9,990,849).

An impairment loss of £40,661 (2015 - £nil) was recognised in cost of sales against stock during the year.

A.C. BACON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

16. Debtors

| | 2016 | 2015 |
|--|------------------|------------------|
| | £ | £ |
| Due after more than one year | | |
| Trade debtors | 515,236 | 239,402 |
| | 2016 | 2015 |
| | £ | £ |
| Due within one year | | |
| Trade debtors | 1,464,097 | 3,144,078 |
| Amounts owed by group undertakings | 1,255,150 | - |
| Other debtors | 855 | 3,955 |
| Prepayments and accrued income | 140,337 | 144,259 |
| Amounts recoverable on long term contracts | 1,033,722 | 4,397 |
| | 3,894,161 | 3,296,689 |

An impairment loss of £16,713 (2015 - £57,982) was recognised against trade debtors.

17. Cash and cash equivalents

| | 2016 | 2015 |
|--------------------------|------------------|------------------|
| | £ | £ |
| Cash at bank and in hand | 1,124,261 | 1,378,233 |

A.C. BACON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

18. Creditors: Amounts falling due within one year

| | 2016 | 2015 |
|---|------------------|------------------|
| | £ | £ |
| Bank loans | 17,400 | 17,400 |
| Payments received on account | 65,097 | 92,587 |
| Trade creditors | 1,483,248 | 937,981 |
| Corporation tax | 250,295 | 298,501 |
| Other taxation and social security | 433,672 | 671,386 |
| Obligations under finance lease and hire purchase contracts | 97,859 | 95,166 |
| Other creditors | 40,663 | 60,902 |
| Accruals and deferred income | 221,667 | 149,144 |
| | 2,609,901 | 2,323,067 |

Obligations under finance leases and hire purchase contracts are secured by fixed charges on the assets concerned.

Bank loans are secured on specific assets.

19. Creditors: Amounts falling due after more than one year

| | 2016 | 2015 |
|--|----------------|----------------|
| | £ | £ |
| Bank loans | 21,926 | 39,231 |
| Net obligations under finance leases and hire purchase contracts | 283,573 | 381,432 |
| | 305,499 | 420,663 |

A.C. BACON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

20. Loans

Analysis of the maturity of loans is given below:

| | 2016 £ | 2015 £ |
|--|---------------|---------------|
| Amounts falling due within one year | | |
| Bank loans | 17,400 | 17,400 |
| Amounts falling due 2-5 years | | |
| Bank loans | 21,926 | 39,231 |
| | <u>39,326</u> | <u>56,631</u> |

The bank loans are secured on specific assets and are wholly repayable within 5 years by instalments, bearing interest of 2.65% above bank base rate.

21. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

| | 2016 £ | 2015 £ |
|---|----------------|----------------|
| Within one year | 107,264 | 107,264 |
| Between 1-2 years | 107,264 | 107,264 |
| Between 2-5 years | 187,696 | 294,960 |
| | <u>402,224</u> | <u>509,488</u> |
| Less: finance charges allocated to future periods | 20,792 | 32,890 |
| | <u>381,432</u> | <u>476,598</u> |

A.C. BACON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

22. Financial instruments

| | 2016 £ | 2015 £ |
|---|------------------|------------------|
| Financial assets | | |
| Financial assets that are debt instruments measured at amortised cost | <u>3,235,338</u> | <u>3,387,435</u> |
| Financial liabilities | | |
| Financial liabilities measured at amortised cost | <u>2,166,336</u> | <u>1,681,256</u> |

Financial assets that are debt instruments measured at amortised cost comprise debtors due within one year and after one year.

Financial liabilities measured at amortised cost comprise creditors due within one year and after one year.

23. Deferred taxation

| | 2016 £ | 2015 £ |
|---------------------------|------------------|------------------|
| At beginning of year | (350,105) | (306,873) |
| Charged to profit or loss | 5,672 | (43,232) |
| At end of year | <u>(344,433)</u> | <u>(350,105)</u> |

The provision for deferred taxation is made up as follows:

| | 2016 £ | 2015 £ |
|--------------------------------|------------------|------------------|
| Accelerated capital allowances | (307,767) | (318,752) |
| Investment properties | (34,091) | (30,330) |
| Other timing differences | (2,575) | (1,023) |
| | <u>(344,433)</u> | <u>(350,105)</u> |

The amount of the net reversal of deferred tax expected to occur next year is £52,011 (2015 - £30,954).

A.C. BACON ENGINEERING LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

24. Provisions

| | Warranty provision £ |
|----------------------------|-------------------------------------|
| At 1 January 2016 | 60,745 |
| Charged to profit or loss | (47,131) |
| At 31 December 2016 | 13,614 |

A provision has been made for the estimated warranty repair costs.

25. Share capital

| | 2016 £ | 2015 £ |
|---|-------------------|-------------------|
| Shares classified as equity | | |
| Allotted, called up and fully paid | | |
| 2,950 Ordinary shares of £1 each | 2,950 | 2,950 |

26. Reserves

Capital redemption reserve

The capital redemption reserve records the nominal value of shares cancelled. This is a non-distributable reserve.

Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses, including unrealised profit/ (loss) on the remeasurement of investment properties.

27. Pension commitments

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 and amounted to £68,417 (2015 - £71,151). At 31 December 2016 the amount payable was £15,124 (2015 - £15,262).

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

28. Commitments under operating leases

At 31 December 2016 the Company had future minimum lease payments under non-cancellable operating leases as follows:

| | 2016 £ | 2015 £ |
|--|----------------|----------------|
| Not later than 1 year | 77,062 | 96,062 |
| Later than 1 year and not later than 5 years | 142,400 | 183,862 |
| Later than 5 years | 100,867 | 136,467 |
| | <u>320,329</u> | <u>416,391</u> |

29. Related party transactions

The Company leases premises from a small self administered pension scheme of which a director is a member and trustee. Rent paid in the year was £92,600 (2015 - £92,600). At the year end £9,260 (2015 - £9,260) was owed by the company.

The pension fund made payments totalling £5,400 (2015 - £5,400) to the Company for ground rent. At the year end £Nil (2015 - £Nil) was owed to the Company.

The total key management personnel compensation in 2016 was £259,207 (2015 - £257,952).

During the year the Company made a loan to the parent company of £1,636,030 (2015 - £Nil). The balance due to the Company at the year end amounted to £1,255,150 (2015 - £Nil). The loan is payable on demand.

During the year the Company paid a dividend to the parent company of £398,250 (2015 - £Nil).

30. Ultimate parent undertaking and controlling party

The ultimate parent undertaking is A.C. Bacon Engineering (Holdings) Ltd.

The Company is controlled by D G Bacon.