Registration number:06495417

Allen Gearing Solutions Limited

Annual Report and Financial Statements

For the Year Ended 31 December 2019

Allen Gearing Solutions Limited

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Strategic Report

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

Business Review
The loss after tax for the year was £1,202,000 (2018: profit £2,848,000) for the year ended 31 December 2019.

The company has net assets of £6,034,000 (2018: £7,236,000).

Principal risks and uncertainties
The key risks faced by the company include:

a) General economic environment
The general economic environment influences the sale of our products to customers.

b) Actions of competitors
The company operates in highly competitive markets. Product innovations or technical advances by competitors could adversely affect the company. The diversity of operations reduces the possible effect of action by any single competitor.

c) Foreign currency risk
The company deals in multiple currencies which can cause foreign exchange risk. There is a risk that there may be an adverse movement in the exchange rate of the transaction currency in relation to the functional currency before the date when the transaction is completed.

d) Effect of legislation or other regulatory action
The company is subject to a broad range of laws, regulations and standards in each of the jurisdictions in which it operates. Unexpected changes in these laws or regulations could significantly impair performance; equally, a failure to comply with these laws, regulations or standards could damage the reputation of the company.

e) Raw material prices
The Group's products contain various raw materials or purchased components. Any increases or volatility in prices and shortages in supply can affect the company's performance. The diversity of operations reduces the dependence on any single item or supplier. Purchasing policies take into account and seek to mitigate such risks where practicable.

f) Credit
Cash extension of credit and liquidity of the company are managed by the ultimate parent company.

g) Economic risk
On the 23rd June 2016, the UK referendum resulted in an overall vote to leave the European Union. The Company has conducted an overall review of the potential consequences of a no deal Brexit, which included but was not limited to IT systems, logistics, operational processes and trade compliance. As a consequence of this review the directors concluded they do not anticipate a significant negative impact on the Company nor its operations. The longer term political and economic effects of Brexit will depend on the final agreement negotiated between the UK and European Union. The directors continue to monitor and review the potential risks to the Company.

Allen Gearing Solutions Limited

Strategic Report

Going concern
For the purposes of the directors' assessment of the Company's going concern position and to satisfy them of the Company's ability to pay its liabilities as they fall due, the directors have prepared a cash flow forecast for a period of 13 months from the date of approval of these financial statements after considering a severely plausible downside scenario on account of the anticipated socio-economic impact of the COVID-19 pandemic. The company has net current assets of £5,794,000 (2018: 7,079,000) and the forecasts indicate that the Company will remain cash generative over the going concern forecast period, and will be able to meet its financial obligations as they fall due without requiring new finance. It lends all surplus cash generated by the business to the group's cash pooling arrangement. The cash pooling arrangements are on a flexible basis with no fixed repayment terms and can be terminated with 30 days' notice. The prepared forecasts assume no withdrawal of the cash balances it holds within the group's cash pooling arrangement over the going concern period.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 13 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Financial key performance indicators

Performance during the year is set out in the table below:

	2019 £'000	2018 £'000
Turnover	**5,634**	12,979
Gross profit	**1,968**	4,857
(Loss)/profit after tax	**(1,202)**	2,848

Approved by the Board on 07 December 2020 and signed on its behalf by:

....
H J Hansen
Director

Allen Gearing Solutions Limited

Directors' Report

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

Principal activity
The principal activity of the company is the design, manufacture and servicing of high performance gearboxes for a range of power generation, oil and gas, industrial and marine propulsion applications

Results and dividends
The loss for the year, after taxation, amounted to £1,202,000 (2018: profit £2,848,000).

The directors do not recommend the payment of a dividend (2018: £nil).

Events after the balance sheet date
Details of significant events since the balance sheet date are contained in note 20 to the financial statements.

Directors of the company
The directors who held office during the year and up to the directors' report were as follows:

H J Hansen	
R Barbieri	(appointed 22 October 2019)
S A Buckley	(resigned 22 October 2019)

Directors' indemnities
One or more of the directors have benefited from qualifying third party indemnity provisions in place during the financial year and subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provisions remain in force as at date of approving in the directors' report.

Disclosure of information to the auditor
Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Reappointment of auditors
The auditor, KPMG LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 07 December 2020 and signed on its behalf by:

....

H J Hansen
Director

Allen Gearing Solutions Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice) including FRS 101 'Reduced Disclosure Framework' ('FRS 101').

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 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;
- assess the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

Independent Auditor's Report to the Members of Allen Gearing Solutions Limited

Opinion
We have audited the financial statements of Allen Gearing Solutions Limited (the 'company') for the year ended 31 December 2019, which comprise the Profit and Loss Account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes including accounting policies in note 2.

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 loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis of opinion
We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern
The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.

Independent Auditor's Report to the Members of Allen Gearing Solutions Limited (continued)

Strategic Report and Directors' Report
The directors' are responsible for the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Directors' Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Directors' Report;
- in our opinion the information given in those reports for the financial period is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required 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 met; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Directors' responsibilities
As explained more fully in their statement set out on page 5 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they 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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISA's (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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at
www.frc.org.uk/auditorsresponsibilities.

Independent Auditor's Report to the Members of Allen Gearing Solutions Limited (continued)

The purpose of our audit and to whom we owe our responsibilities
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.

....

Jeremy Williams

For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

15 Canada Square
London
E14 5GL

Date: 07 December 2020

Allen Gearing Solutions Limited

Profit and Loss Account and Other Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 £'000	2018 £'000
Turnover	4	5,634	12,979
Cost of sales		(3,666)	(8,122)
Gross Profit		1,968	4,857
Distribution expenses and selling costs		-	(18)
Administrative expense		(3,347)	(3,195)
Other operating income		-	1,169
Operating (loss)/profit	5	(1,379)	2,813
Net fair value gain on financial instruments		-	6
Interest receivable and similar income	6	54	45
Interest payable and similar expenses		(29)	-
(Loss)/profit before taxation		(1,354)	2,864
Tax on (loss)/profit	10	152	(16)
(Loss)/profit for the year		(1,202)	2,848
Other comprehensive income		-	-
Total comprehensive profit for the year		(1,202)	2,848

The above results were derived from discontinuing operations.

The notes on page 12 to 25 form an integral part of these financial statements

Allen Gearing Solutions Limited

Balance Sheet
as at 31 December 2019

	Note	2019 £'000	2018 £'000
Fixed assets			
Tangible assets	11	240	157
		240	157
Current assets			
Stocks	12	-	376
Debtors: amounts falling due within one year	13	8,794	10,809
Cash at bank in hand		(7)	-
		8,787	11,185
Creditors: amounts falling due within one year	14	(2,993)	(4,106)
Net current assets		5,794	7,079
Net assets		6,034	7,236
Capital and reserves			
Called up share capital	15	10	10
Profit and loss account		6,024	7,226
Shareholders' funds		6,034	7,236

Approved by the Board on 07 December 2020 and signed on its behalf by:

....

H J Hansen
Director

The notes on pages 12 to 25 form an integral part of these financial statements

Allen Gearing Solutions Limited

Statement of Changes in Equity
for the Year Ended 31 December 2019

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2019	10	7,226	7,236
Comprehensive loss for the year			
Loss for the year	-	(1,202)	(1,202)
Total comprehensive loss for the year	-	(1,202)	(1,202)
At 31 December 2019	10	6,024	6,034

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2018	10	4,378	4,388
Comprehensive income for the year			
Profit for the year	-	2,848	2,848
Total comprehensive income for the year	-	2,848	2,848
At 31 December 2018	10	7,226	7,236

The notes on pages 12 to 25 form an integral part of these financial statements

Notes to the Financial Statements

1. General information

The company is a private company limited by share capital, registered in England, incorporated and domiciled in the United Kingdom.

The address of its registered office is:
Atlas Works,
Station Road
Pershore
Worcestershire
WR10 2BZ

2. Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation
The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101') and the Companies Act 2006.

In preparing these financial statements, the company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The preparation of financial statements in compliance with FRS 101 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 results of the company are included in the consolidated financial statements of Baker Hughes Company which are available from 17021 Aldine Westfield Road, Houston, TX 77073, USA or at www.bakerhughes.com.

Basis of measurement
The financial statements have been prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value.

Changes in accounting policy
In the current year the company has adopted new accounting standard IFRS16: *Leases*. An explanation of the impact of the adoption of this new standard is included in note 19.

2. Accounting policies (continued)

Summary of disclosure exemptions
The company has taken advantage of the following disclosure exceptions under FRS 101:
-the requirements of IFRS 7 Financial Instruments: Disclosures;
-the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of:
•paragraph 79(a)(iv) of IAS 1;
•paragraph 73(e) of IAS 16 Property, Plant and Equipment
•paragraph 118(e) of IAS 38 Intangible Assets, and
-the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 400, 111 and 134-136 of IAS 1 Presentation of Financial Statements:
-the requirements of IAS 7 Statement of Cash Flows;
-the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
-the requirements of paragraph 17 of IAS 24 Related Party Disclosures:
-the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transactions wholly owned by such a member;

Going concern
For the purposes of the directors' assessment of the Company's going concern position and to satisfy them of the Company's ability to pay its liabilities as they fall due, the directors have prepared a cash flow forecast for a period of 13 months from the date of approval of these financial statements after considering a severely plausible downside scenario on account of the anticipated socio-economic impact of the COVID-19 pandemic. The company has net current assets of £5,794,000 (2018: 7,079,000) and the forecasts indicate that the Company will remain cash generative over the going concern forecast period, and will be able to meet its financial obligations as they fall due without requiring new finance. It lends all surplus cash generated by the business to the group's cash pooling arrangement. The cash pooling arrangements are on a flexible basis with no fixed repayment terms and can be terminated with 30 days' notice. The prepared forecasts assume no withdrawal of the cash balances it holds within the group's cash pooling arrangement over the going concern period.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 13 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Revenue recognition
Recognition

The company earns revenue from the provision of services relating to subsea oilfield equipment and installation and management services to the oil and gas industry. This revenue is recognised in the accounting period when the services are rendered at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

The principles in IFRS 15 are applied to revenue recognition criteria using the following 5 step model:
1. Identify the contracts with the customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies its performance obligations

2. Accounting policies (continued)

Revenue recognition (continued)
Contract modifications

The company's contracts are often amended for changes in contract specifications and requirements. Contract modification exists when the amendment either creates new or changes the existing enforceable rights and obligations. The effect of a contract modification on the transaction price and the company's measure of progress for the performance obligation to which it relates, is recognised as an adjustment to revenue in one of the following ways:

a. Prospectively as an additional separate contract:
b. Prospectively as a termination of the existing contract and creation of a new contract;
c. As part of the original contract using a cumulative catch up; or
d. As a combination of b) and c).

The facts and circumstances of any contract modification are considered individually as the types of modifications will vary contract by contract and may result in different accounting outcomes. Judgement is applied in relation to the accounting for such modifications where the final terms or legal contracts have not been agreed prior to the period end as management need to determine if a modification has been approved and if it either creates new or changes existing enforceable rights and obligations of the parties. Depending upon the outcome of such negotiations, the timing and amount of revenue recognised may be different in the relevant accounting periods. Modification and amendments to contracts are undertaken via an agreed formal process. For example, if a change in scope has been approved but the corresponding change in price is still being negotiated, management use their judgement to estimate the change to the total transaction price.

Contract assets and receivables

Where goods or services are transferred to the customer before the customer pays consideration, or before payment is due, contract assets are recognised. Contract assets are included in the balance sheet and represent the right to consideration for products delivered.

Contract receivables (loans and advances) are recognised in the balance sheet when the company's right to consideration becomes unconditional.

Contract assets & receivables (loans and advances) are classified as current or non-current based on the company's normal operating cycle and are assessed for impairment at each reporting date.

Contract liabilities

Contract liabilities and customer deposits are recognised in the balance sheet when the company has received consideration but still has an obligation to deliver products and meet performance obligations for that consideration.

2. Accounting policies (continued)

Revenue recognition (continued)

Impairment of contract related balances

At each reporting date, the company determines whether or not such assets are impaired by comparing the carrying amount of the asset to the remaining amount of consideration that the company expects to receive less the costs that relate to providing services under the relevant contract. In determining the estimated amount of consideration, the company uses the same principles as it does to determine the contract transaction price, except that any constraints used to reduce the transaction price will be removed for the impairment test.

Where the relevant contracts or specific performance obligations are demonstrating marginal profitability or other indicators of impairment, judgement is required in ascertaining whether or not the future economic benefits from these contracts are sufficient to recover these assets. In performing this impairment assessment, management is required to make an assessment of the costs to complete the contract. The ability to accurately forecast such costs involves estimates around cost savings to be achieved over time, anticipated profitability of the contract, as well as future performance against any contract-specific KPIs that could trigger variable consideration, or service credits. Where a contract is anticipated to make a loss, these judgements are also relevant in determining whether or not an onerous contract provision is required and how this is to be measured.

Foreign currency transactions and balances

Transactions denominated in foreign currencies are translated into GBP sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. The translation differences arising are recorded within the profit and loss account.

Tax

Tax is recognised in the profit and loss account, except that a change 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 tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the company operates and generates income.

Full provision is made for deferred tax liabilities arising from all temporary differences between the recognition of gains and losses in the financial statements and recognition in the tax computation.

A net deferred tax asset is recognised only if it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax assets and liabilities are calculated at the tax rates expected to be effective at the time the temporary differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

2. Accounting policies (continued)

Tangible fixed assets
Tangible fixed assets are stated at cost less depreciation and any accumulated impairment losses.

Depreciation
Depreciation is charged to the profit and loss account on a straight line basis over the estimated useful life of each tangible fixed asset as follows:

Asset class	Estimated useful life
Plant and machinery	10 - 20 years
Fixtures and fittings	5 years

Leases

Policy applicable from 1 January 2019
At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

As a lessee

The Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component for the leases of property.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

2. Accounting policies (continued)

Leases *(continued)*

Policy applicable from 1 January 2019 (continued)

As a lessee (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'trade and other payables' for the current portion of lease liabilities and 'lease liability' for the non-current portion of lease liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Policy applicable before to 1 January 2019

Rentals paid under operating lease are charged to the profit and loss (net of any incentives received from the lessor) on a straight line basis over the period of the lease.

3. Critical accounting judgements and key sources of estimated uncertainty

The preparation of the financial statements requires the directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on the directors' best knowledge of the amount, actual results ultimately may differ from those estimates. The areas involving a higher degree of judgement and complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below:

3. Critical accounting judgements and key sources of estimated uncertainty (continued)

Revenue recognition on long-term product services agreement

Revenue recognition on long-term product services agreements requires estimates of profits over the multiple-year terms of such agreements, considering factors such as the frequency and extent of future monitoring, maintenance and overhaul events; the amount of personnel, spare parts and other resources required to perform the services: and future billing rate, cost changes and customers' utilisation of assets. We routinely review estimates under product services agreements and regularly revise them to adjust for changes in outlook.

We also regularly assess customer credit risk inherent in the carrying amounts of receivables and contract costs and estimated earnings, including the risk that contractual penalties may not be sufficient to offset our accumulated investment in the event of customer termination. We gain insight into future utilisation and cost trends. as well as credit risk, through our knowledge of the installed base of equipment and the close interaction with our customers that comes with supplying critical services and parts over extended periods. Revisions may affect a product services agreement's total estimated profitability resulting in an adjustment of earnings.

4. Turnover

The geographical analysis of turnover is as follows:

	2019 £'000	2018 £'000
United Kingdom	1,845	1,885
Europe	1,150	2,023
USA	941	4,751
Rest of world	1,698	4,320
	5,634	12,979

5. Operating (loss)/profit

Operating (loss)/profit is stated after charging

	2019 £'000	2018 £'000
Difference on foreign exchange	42	20
Operating lease rentals - other	74	296

6. Interest receivable and similar income

	2019 £'000	2018 £'000
Other interest receivable	54	45

Allen Gearing Solutions Limited

Notes to the Financial Statements

7. Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2019	2018
	£'000	£'000
Wages and salaries	1,952	1,991
Social security costs	177	211
Other pension costs	117	171
	2,246	2,373

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2019	2018
	No.	No.
Production	9	15
Administration	13	13
Selling, service and distribution	10	6
	32	34

8. Directors' remuneration

The directors' remuneration for the period was as follows:

	2019	2018
	£'000	£'000
Remuneration	67	86
Company contributions to pension schemes	8	9

9. Auditor's remuneration

Remuneration of £30,000 (2018:£30,000) was paid to the auditors for their services to the company.

10. Taxation

Tax charged in the Profit and Loss account

	2019 £'000	2018 £'000
Current taxation		
UK corporation tax	(252)	16
Foreign tax	100	-
Total current tax	(152)	16
Tax (receipt)/expense in the profit and loss account	(152)	16

The standard rate of tax for the year, based on the average UK standard rate of corporation tax, is 19% (2018: 19.00%). The actual current tax charge for the preceding year differs for the reasons set out in the following reconciliation.

The differences between the tax charge shown above and the amount calculated by applying the average standard rate of UK corporation tax to the (loss)/profit before tax are as follows:

	2019 £'000	2018 £'000
(Loss)/profit before tax	(1,354)	2,864
Corporation tax at standard rate	(257)	544
Expenses not deductible for tax purposes	10	-
Effects of overseas tax rates	81	11
Effects of group relief / other reliefs	-	(520)
NQA	39	-
Amounts not recognised	(25)	(19)
Total tax (Credit)/charge	(152)	16

Factors that may affect future tax charges

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. Subsequent to the balance sheet date it was announced that the rate of 19% would continue to apply with effective from 1 April 2020. This change was substantively enacted on 17 March 2020. This will increase the current tax charge accordingly.

There are no other factors that may significantly affect future tax charges.

There are £190,650 of deductible temporary differences (2018:£254,838) for which no deferred tax asset is recognised in the balance sheet.

11. Tangible fixed assets

	Buildings (also refer note below) £'000	Furniture & fittings £'000	Plant & machinery £'000	Total £'000
Cost				
At 1 January 2019	-	25	1,941	1,966
Adjustment for IFRS16	210	-	-	210
Adjusted opening cost	210	25	1,941	2,176
Additions	-	-	24	24
Disposals	-	-	(15)	(15)
At 31 December 2019	210	25	1,950	2,185
Depreciation				
At 1 January 2019	-	25	1,784	1,809
Charge for the year	45	-	91	136
At 31 December 2019	45	25	1,875	1,945
Net book value				
At 31 December 2019	165	-	75	240
At 31 December 2018	-	-	157	157

Right-of-use assets relate to the lease of property under IFRS16: *Leases* (also refer to note 16).

12. Stocks

	2019 £'000	2018 £'000
Work in progress	-	360
Finished goods	-	16
	-	376

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £2,308,339 (2018:£7,552,022).

13. Debtors

	2019 £'000	2018 £'000
Due within one year		
Trade debtors	649	1,936
Amounts owed by group undertakings	8,049	8,766
Prepayments and accrued income	64	74
Other debtors	32	33
	8,794	10,809

14. Creditors: Amounts falling due within one year

	2019 £'000	2018 £'000
Trade Creditors	84	135
Accruals and deferred income	554	396
Amounts owed to group undertakings	325	503
Payments received on account	1,271	2,046
Social security and other taxes	48	64
Other provisions	75	962
Finance Lease	636	-
	2,993	4,106

Other provisions relates to warranty claims, onerous contracts and restructuring costs. Movement in the year amounted to £887,000 (2018: £887,000). Within the movement in the year, the onerous contract provision of £643,000 was offset against the right-of-use asset on initial application of IFRS16: *Leases*.

15. Share capital

Allotted called up and fully paid shares

	2019 No.'000	2019 £'000	2018 No.	2018 £'000
Ordinary shares of £1 each	10	10	10	10

16. Leases

Leases as lessee (IFRS 16)
Information about leases for which the Company is a lessee is presented below.

Right-of-use assets
Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see note 11).

	Buildings £'000
Balance at 1 January 2019	210
Depreciation charge for the year	(45)
Balance at 31 December 2019	165

Amounts recognised in the profit and loss account

	2019 £'000
2019 - Leases under IFRS 16	
Interest on lease liabilities	29
Expenses relating to short-term leases	45
2018 - Operating leases under IAS 17	
Lease expense	200

The total future value of minimum lease payments is as follows:

	31 December 2019 £'000	31 December 2018 £'000
Within one year	200	200
In two to five years	533	733
	733	933

17. 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 amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period.

The pension charge for the year was £117,000 (year ended 31 December 2018: £171,000) in respect of the defined contribution scheme. There was no outstanding or prepaid contributions at either the beginning or the end of the financial year.

18. Ultimate parent undertaking and controlling party

The following related party relationships existed during the reporting period.

The company's immediate parent is Baker Hughes Energy Technology UK Limited, a company registered at 2 High Street, Nailsea, Bristol, BS48 1BS, United Kingdom.

The smallest and largest group in which the results of the company are consolidated is that headed by its ultimate parent undertaking, Baker Hughes Company, a company registered at 17021 Aldine Westfield Road, Houston, TX, 77073, USA. The consolidated financial statements of this company are available to the public and may be obtained from the registered address or at www.bakerhughes.com.

As of 16 September 2019, General Electric Company (GE) ceased to hold more than 50% of the voting power of all classes of the outstanding voting stock of Baker Hughes Company. Subsequently, on October 17, 2019, Baker Hughes Company changed its name from Baker Hughes, a GE company to Baker Hughes Company. The financial information of the Company has been recorded in the consolidated financial statements of Baker Hughes Company. The financial statements of Baker Hughes Company can be found on the website http://www.bakerhughes.com under Investor.

19. Changes in accounting policies

The company initially applied IFRS 16 *Leases* from 1 January 2019 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 is not restated - i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

On transition to IFRS 16, the Company recognised right-of-use assets and additional lease liabilities, no differences were recognised in retained earnings. The impact on transition is summarised below.

	£'000
Right-of-use assets - property, plant and equipment	853
Onerous contract provision	(643)
Amended right-of-use assets - property, plant and equipment	210
Lease liabilities	807

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 3.97%.

20. Post balance sheet event

COVID-19

In early 2020, the emergence and global spread of COVID-19 has caused uncertainty throughout the markets. Oil and Gas has been explicitly identified as a critical industry by the UK and Scottish governments and the company continues to work to serve our customers and the wider community. The company has been in close contact with suppliers, customers and industry bodies, such as Oil & Gas UK, to ensure continued business continuity and to highlight and resolve any areas of risk within the supply chain to alleviate any significant business disruption.