

Registration number: 06495417

**Allen Gearing Solutions Limited**  
**Annual Report and Financial Statements**  
**For the Year Ended 31 December 2021**

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# **Allen Gearing Solutions Limited**

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# Allen Gearing Solutions Limited

## Directors' Report

The director presents his report and the financial statements for the year ended 31 December 2021.

The directors' report has been prepared in accordance with the provisions applicable to companies entitled to the small companies' exemption. No strategic report is presented as the director has taken the exemption under section 414B of the Companies Act 2006.

### 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 £301,000 (2020: profit £199,000).

The director does not recommend the payment of a dividend (2020: £nil).

### 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

The UK left the EU on 31st January 2020, having signed the EU-UK trade and Cooperation agreement on 30th December 2020. The director continues to closely monitor and review potential risk to the company from the longer term political and economic effects of Brexit.

# Allen Gearing Solutions Limited

## Directors' Report

### Going concern

For the purposes of the directors' assessment of the Company's going concern position and to satisfy him of the Company's ability to pay its liabilities as they fall due, the director has prepared a cash flow forecast for a period up to 12 months from the date of signing the report. The company has net current assets of £6,622,000 (2020: 6,878,000) 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 director is confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore has prepared the financial statements on a going concern basis.

### Directors of the company

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

H J Hansen (resigned 31 January 2023)  
R Barbieri

### Directors' indemnities

The director has 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.

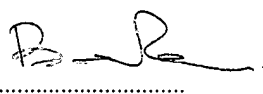
### Disclosure of information to the auditor

The director has taken steps that he ought to have taken as a director in order to make aware of any relevant audit information and to establish that the company's auditor is aware of that information. The director confirms that there is no relevant information that he is aware of and of which he knows 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 2 March 2023 and signed on its behalf by:



R Barbieri  
Director

# **Allen Gearing Solutions Limited**

## **Statement of Directors' Responsibilities**

The director is responsible for preparing the Directors' 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 Accounting Standards and applicable law (United Kingdom Generally Accepted Accounting Practice) including FRS 101 'Reduced Disclosure Framework' ('FRS 101').

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 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 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 responsible for such internal control as he determines 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 2021, which comprise the Profit and Loss account and Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and related notes, including the 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<sup>st</sup> December 2021 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 for 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 director has prepared the financial statements on the going concern basis as he does not intend to liquidate the company or to cease its operations, and as he has concluded that the company's financial position means that this is realistic. He has 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").

In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model and analyzed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Our conclusions based in this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the going concern period.

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.

## **Fraud and breaches of laws and regulations - ability to detect**

### *Identifying and responding to risks of material misstatement due to fraud*

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors and inspection of policy documentation as to the Company's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.

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

- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls. On this audit we do not believe there is a fraud risk related to revenue as this risk was rebutted largely due to the largely contractual nature of Revenue and the lack of room for manipulation. Thus we deem that revenue does not constitute a significant risk.

We did not identify any additional fraud risks.

In determining the audit procedures we took into account the results of our evaluation and testing of the operating effectiveness of some of the Company-wide fraud risk management controls.

We also performed procedures including:

Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those that are posted only once, contain key words and seldom used accounts, material post close journal entries and journals with a high-risk description.

### *Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations*

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, through discussion with the director and other management, and from inspection of the Company's regulatory and legal correspondence and discussed with the director and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Company is subject to laws and regulations that directly affect the financial statements including financial reporting legislation, distributable profits legislation, taxation legislation, and data protection legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an effect: anti-bribery, recognising the nature of the Company's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

## *Context of the ability of the audit to detect fraud or breaches of law or regulation*

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

## **Directors' report**

The director is responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read 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 directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has 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 made; or
- we have not received all the information and explanations we require for our audit.
- the director was not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

## **Directors' responsibilities**

As explained more fully in their statement set out on page 5, the director is 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**

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 ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.



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

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work 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: 7 March 2023

# Allen Gearing Solutions Limited

## Profit and Loss Account and Other Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £'000	2020 £'000 (restated)
<b>Turnover</b>	3	3,355	3,172
Cost of sales		(2,184)	(1,901)
<b>Gross Profit</b>		1,171	1,271
Administrative expense		(948)	(1,129)
Other income		57	57
<b>Operating profit</b>	4	280	199
Interest receivable and similar income	5	8	27
Interest payable and similar expenses		(15)	(23)
<b>Profit before taxation</b>		273	203
Tax on profit	9	(574)	(4)
<b>(Loss)/ profit for the year</b>		(301)	199
Other comprehensive income		-	-
<b>Total comprehensive (loss)/ profit for the year</b>		(301)	199


The notes on page 12 to 23 form an integral part of these financial statements

# Allen Gearing Solutions Limited

## Balance Sheet as at 31 December 2021

	Note	31 December 2021 £'000	31 December 2020 £'000 (Restated)	1 January 2020 £'000 (Restated)
<b>Fixed assets</b>				
Tangible assets	10	75	120	240
		<u>75</u>	<u>120</u>	<u>240</u>
<b>Current assets</b>				
Stocks	11	-	6	-
Debtors: amounts falling due within one year	12	9,126	9,179	9,559
Cash at bank in hand		-	-	(7)
		<u>9,126</u>	<u>9,185</u>	<u>9,552</u>
<b>Creditors: amounts falling due within one year</b>	13	(2,504)	(2,307)	(2,993)
<b>Net current assets</b>		<u>6,622</u>	<u>6,878</u>	<u>6,559</u>
<b>Net assets</b>		<u>6,697</u>	<u>6,998</u>	<u>6,799</u>
<b>Capital and reserves</b>				
Called up share capital	14	10	10	10
Profit and loss account		<u>6,687</u>	<u>6,988</u>	<u>6,789</u>
<b>Shareholders' funds</b>		<u>6,697</u>	<u>6,998</u>	<u>6,799</u>

Approved by the Board on 2 March 2023 and signed on its behalf by:



R Barbieri  
Director

The notes on pages 12 to 23 form an integral part of these financial statements

# Allen Gearing Solutions Limited

## Statement of Changes in Equity for the Year Ended 31 December 2021

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2021			
As previously stated	10	6,119	6,129
Prior year adjustment	-	869	869
	<hr/>	<hr/>	<hr/>
At 31 December/1 January 2021, restated	10	6,988	6,998
<b>Comprehensive loss for the year</b>			
Loss for the year	-	(301)	(301)
	<hr/>	<hr/>	<hr/>
Total comprehensive loss for the year	-	(301)	(301)
	<hr/>	<hr/>	<hr/>
At 31 December 2021	10	6,687	6,697
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

	Called up share capital £'000	Profit and loss account £'000	Total £'000
At 1 January 2020			
As previously stated	10	6,024	6,034
Prior year adjustment	-	765	765
	<hr/>	<hr/>	<hr/>
At 31 December/1 January 2020, restated	10	6,789	6,799
<b>Comprehensive profit for the year</b>			
Profit for the year originally presented	-	95	95
Correction of error (note 17)	-	104	104
	<hr/>	<hr/>	<hr/>
Total comprehensive income for the year	-	199	199
	<hr/>	<hr/>	<hr/>
At 31 December 2020	10	6,988	6,998
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 12 to 23 form an integral part of these financial statements

# **Allen Gearing Solutions Limited**

## **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:

10<sup>th</sup> Floor,  
245 Hammersmith Road  
London  
England  
W6 8PW

### **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 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](http://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.

# Allen Gearing Solutions Limited

## Notes to the Financial Statements

### 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, 40D, 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 him of the Company's ability to pay its liabilities as they fall due, the director has prepared a cash flow forecast for a period up to 12 months from the date of signing the report 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 £6,622,000 (2020: restated 6,878,000) 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 director is confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore has 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

# Allen Gearing Solutions Limited

## Notes to the Financial Statements

### 2. Accounting policies (continued)

#### Revenue recognition (continued)

##### *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.

#### 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.

#### 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

# Allen Gearing Solutions Limited

## Notes to the Financial Statements

### 2. Accounting policies (continued)

#### Leases

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.

#### *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.

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.



# Allen Gearing Solutions Limited

## Notes to the Financial Statements

### 2. Accounting policies (continued)

#### Leases (continued)

##### *As a lessee (continued)*

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.

### 3. Turnover

The geographical analysis of turnover is as follows:

	2021 £'000	2020 £'000 (restated)
United Kingdom	1,512	1,869
Europe	1,548	723
Rest of world	295	580
	<u>3,355</u>	<u>3,172</u>

### 4. Operating profit

Operating profit is stated after charging

	2021 £'000	2020 £'000
Difference on foreign exchange	14	43
Operating lease rentals - other	4	42
	<u>18</u>	<u>85</u>

### 5. Interest receivable and similar income

	2021 £'000	2020 £'000
Other interest receivable	8	27
	<u>8</u>	<u>27</u>

# Allen Gearing Solutions Limited

## Notes to the Financial Statements

### 6. Staff costs

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

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Wages and salaries	1,254	1,495
Social security costs	143	126
Other pension costs	111	100
	<u>1,508</u>	<u>1,721</u>

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

	<b>2021</b>	<b>2020</b>
	<b>No.</b>	<b>No.</b>
Administration	7	7
Selling, service and distribution	17	18
	<u>24</u>	<u>25</u>

### 7. Directors' remuneration

The directors who served during the current year were employees of another group company. The directors have estimated that the amounts received in respect of qualifying services for the entity to be £2,800 each.

### 8. Auditor's remuneration

Remuneration of £30,000 (2020: £30,000) was paid to the auditors for their services to the company.

# Allen Gearing Solutions Limited

## Notes to the Financial Statements

### 9. Taxation

Tax charged in the Profit and Loss account

	2021 £'000	2020 £'000
<b>Current taxation</b>		
UK corporation tax	51	6
Adjustment in respect of prior years	517	(2)
Foreign tax	6	-
Total current tax	574	4
Tax expense/(receipt) in the profit and loss account	574	4

The standard rate of tax for the year, based on the average UK standard rate of corporation tax, is 19% (2020: 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:

	2021 £'000	2020 £'000
Profit/(loss) before tax	273	203
Corporation tax at standard rate	51	39
Adjustments in respect of prior years	517	(2)
Effects of overseas tax rates	6	
Amounts not recognised	-	(33)
Total tax (credit)/charge	574	4

Factors that may affect future tax charges

In the 3 March 2021 Budget, it was announced that the UK tax rate will increase to 25% from 1 April 2023. On 23 September 2022 the Chancellor of the Exchequer announced that the corporation tax rate will remain at 19% from 1 April 2023. This reversal in the tax rate from 1 April 2023 has not been enacted or substantively enacted and accordingly has no impact on the tax balances as at 31 December 2021.

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

There are £260,263 of deductible temporary differences (2020: £235,799) for which no deferred tax asset is recognised in the balance sheet.

# Allen Gearing Solutions Limited

## Notes to the Financial Statements

### 10. Tangible fixed assets

	<b>Buildings</b> (also refer note below) <b>£'000</b>	<b>Furniture &amp; fittings</b> <b>£'000</b>	<b>Plant &amp; machinery</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
<b>Cost</b>				
At 1 January 2021	210	25	-	235
At 31 December 2021	210	25	-	235
<b>Depreciation</b>				
At 1 January 2021	90	25	-	115
Charge for the year	45	-	-	45
At 31 December 2021	135	25	-	160
<b>Net book value</b>				
At 31 December 2021	75	-	-	75
At 31 December 2020	120	-	-	120

Right-of-use assets relate to the lease of property under IFRS16: *Leases* (also refer to note 15).

### 11. Stocks

	<b>2021</b> <b>£'000</b>	<b>2020</b> <b>£'000</b>
Finished goods	-	6
	-	6

Raw materials, consumables and changes in finished goods and work in progress recognised as cost of sales in the year amounted to £1,621,686 (2020: £709,989).

# Allen Gearing Solutions Limited

## Notes to the Financial Statements

### 12. Debtors

	2021 £'000	31 December 2020 £'000 (restated)	1 January 2020 £'000
<b>Due within one year</b>			
Trade debtors	876	970	649
Amounts owed by group undertakings	8,188	8,150	8,814
Prepayments and accrued income	24	26	64
Other debtors	38	33	32
	<u>9,126</u>	<u>9,179</u>	<u>9,559</u>

### 13. Creditors: Amounts falling due within one year

	2021 £'000	2020 £'000
Amounts owed to group undertakings	1,661	1,039
Finance Lease	274	459
Payments received on account	192	558
Trade Creditors	175	28
Accruals and deferred income	125	68
Other provisions	67	123
Social security and other taxes	10	32
	<u>2,504</u>	<u>2,307</u>

Other provisions relate to warranty claims, onerous contracts and restructuring costs.

### 14. Share capital

#### Allotted called up and fully paid shares

	No.'000	2021 £'000	No.'000	2020 £'000
Ordinary shares of £1 each	10	10	10	10

# Allen Gearing Solutions Limited

## Notes to the Financial Statements

### 15. 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 10).

	<b>Buildings £'000</b>
Balance at 1 January 2021	120
Depreciation charge for the year	45
<b>Balance at 31 December 2021</b>	<b>75</b>

#### *Amounts recognised in the profit and loss account*

	<b>£'000</b>
<b>2021</b>	
Interest on lease liabilities	15
Expenses relating to short-term leases	45
<b>2020</b>	
Interest on lease liabilities	23
Expenses relating to short-term leases	45

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

	<b>31 December 2021 £'000</b>	<b>31 December 2020 £'000</b>
Within one year	200	200
In two to five years	83	283
	<b>283</b>	<b>483</b>

# Allen Gearing Solutions Limited

## Notes to the Financial Statements

### 16. 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 £110,512 (year ended 31 December 2020: £100,000) 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.

### 17. Prior period adjustment

During 2021, the Company discovered that royalty income of £225,600 relating to 2020 had not been recognised in the 2020 financial statements. In addition, the company discovered that salaries for £709,000 rechargeable to fellow group companies had not been recharged to Lufkin France SAS and had been recognised as an expense rather than recognising only the commission element of £57,200 as Allen Gearing is acting as an agent in respect of these transactions.

The company also discovered that royalty income of £324,200 relating to 2019 had been recognised in 2020 rather than in 2019. In addition, salaries rechargeable to fellow group companies for £620,800 were recognised in 2020, but related to 2019. The tax effect of the adjustments to 2019 was to increase tax payable by £180,000. Resulting in a total adjustment to 1 January 2020 of £765,000.

The affected financial statement line items for prior year are as disclosed below:

#### 1. Statement of financial position

	As previously reported £'000	Adjustments £'000	As restated £'000
<b>At 31 December 2020</b>			
Debtors: amounts falling due within one year	8,310	869	9,179
Other assets	126	-	126
	<u>8,436</u>	<u>869</u>	<u>9,305</u>
<b>Creditors:</b> amounts falling due within one year	(2,307)	-	(2,307)
	<u>6,129</u>	<u>869</u>	<u>6,998</u>
<b>Net assets</b>			
Profit and loss account	6,119	869	6,988
Other capital and reserves	10	-	10
	<u>6,129</u>	<u>869</u>	<u>6,998</u>

# Allen Gearing Solutions Limited

## Notes to the Financial Statements

### 17. Prior year adjustment (continued)

#### II. Statement of comprehensive income

	As previously reported £'000	Adjustments £'000	As restated £'000
Turnover	3,270	(98)	3,172
Other income	-	57	57
Administrative expenses	(1,229)	100	(1,129)
Income tax expense	(49)	45	(4)
Others	(1,897)	-	(1,897)
	<u>95</u>	<u>104</u>	<u>199</u>

### 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](http://www.bakerhughes.com).