Company Registration No. 2521081 (England and Wales)

AGCO FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

AGCO FINANCE LIMITED

COMPANY INFORMATION

Directors	Mr S Jones Mr D Hullis Mr M Casement
Secretary	Mr C Wall
Company number	2521081
Registered office	Building 7 Croxley Park Hatters Lane Watford Hertfordshire United Kingdom WD18 8YN
Independent Auditors	PricewaterhouseCoopers LLP One Chamberlain Square Birmingham B3 3AX
Bankers	National Westminster Bank 24 Broadgate Coventry CV1 1ZZ

AGCO FINANCE LIMITED

CONTENTS

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

Principal activities
The principal activity of the Company is the provision of equipment finance solutions to AGCO Corporation's (AGCO's) retail customers and dealers in the United Kingdom.

The Company provides products in two main categories:

- Retail finance – providing hire purchase and other leasing products to customers in the agricultural market; and
- Wholesale finance – providing short-term inventory finance to AGCO's dealer network

No change in principal activity is planned.

Review of the business
The business is a joint venture between two shareholders: AGCO International Limited and De Lage Landen Leasing Limited.

The Directors consider that performance in 2019 was in line with the key objectives of the business:

i. To maximise the financial return to shareholders; and
ii. To support the sale of AGCO equipment whilst providing the highest level of service to customers and dealers.

The results for the year are set out on page 9 and the Company's financial position is set out in the statement of financial position on page 11.

Principal risks, uncertainties and financial risk management

Credit risk
The business operates robust pre-acceptance credit checks and actively manages customer arrears. Lending is typically secured against the value of the underlying financed asset with a strong market for used assets in the UK and abroad.

Liquidity risk
The Company actively manages a mix of long-term and short term debt finance in order to ensure that the business has sufficient funding for its operations. Intercompany funding is available to fund any shortfalls if they arise.

Coronavirus
On 23 March 2020 the United Kingdom government announced a series of lockdown restrictions aimed at limiting the spread of the coronavirus pandemic. These restrictions have impacted adversely on the general UK economy. The impact on the Company has been relatively limited. The business was able to successfully transfer to a remote working environment quickly and maintain service levels to partners and customers. The Company has continued to see demand for its products and business levels have remained strong.

Political Risk and Brexit
A risk exists that future volumes could fall due to changes related to Brexit and subsidy reform. However management do not currently foresee these issues impacting on the Company's ability to trade successfully as a going concern in the future.

Interest rate risk
The business manages interest rate risk by financing new business on a matched-funded basis, i.e. locking in funding interest for the expected term of the customer's financial agreement.

Section 172(1) statement

The board acknowledges its responsibilities under sections 172(1) of the Companies Act 2006 and below sets out the key processes and considerations that demonstrate how the Directors promote the success of the Company. The below statement sets out the requirements of the Act section 172(1), and note how the Directors discharge their duties.

The Board comprises executive and non-executive members. The Executive Team comprises both executive directors and senior management. The Executive Team meet on a monthly basis with papers circulated in advance to allow the team to fully understand the performance of the Company, alongside matters arising for decision. Executive Team decisions are documented. Factors (a) to (f) below, are all taken into account during the decision making progress.

(a) The likely consequences of any decision in the long term

Supporting each decision,. the Executive Team are given access to management papers which set out potential outcome of decision. The papers include diligence on the financial impact via forecasts, as well as non-financial factors and how the decision fits with the strategy of the Company.
The Company has a 5 year plan, which is a financial plan supported by a Growth Optimisation Plan, which is reviewed regularly to benchmark performance and achievements. The strategy is reviewed in detail for the future decision making processes. Where appropriate, the Executive Team will delegate responsibility other members of the management team such as HR and Compliance.

(b) The interests of the Company's members

The Executive Team actively consider the interest of members in its decisions. The Company operates a member's engagement survey twice a year. Feedback and ideas are shared with the Board, which are considered and action taken as a result. Investment is made in member development and training.

(c) The need to foster Company's business relationships with suppliers, customers and others

The Executive Team have identified the stakeholders of the Company and review regularly to ensure adequate communication and engagement is ongoing with this group.
In addition to its members the key stakeholders of the business are considered its shareholders, its customers and the AGCO dealer network. Performance indicators are used by the business to monitor and track how the successfully the business is meeting the expectations of those stakeholders. This includes recording net promoter score data collected via surveys and phone calls.
Whilst the majority of our cost base is people, we maintain strong relationships with our suppliers and continually monitor supplier payments. Any significant suppliers are subject to due diligence processes concerning working practices and ethics as well as their financial stability and viability.

(d) The impact of the Company's operations on the community and environment

The Company takes its responsibility within the community and wider environment seriously. Every year the Company chooses a charity to sponsor. Members are encouraged to participate in community and charitable activities.
Corporate and social responsibility is included in the review approval of incoming business and the Company will reject business applications that run contrary to the values and ethics of the business.

(e) The desirability of the Company to maintain a reputation for high standards of business conduct

The Directors of the Company are committed to high standards of business conduct and governance. The Company operates robust internal controls and systems in place which are periodically reviewed and tested.
In making decisions the Executive Team will seek to limit opportunities for any adverse reputational outcomes, both for the Business itself and its shareholders. TCF aspects ('treating customers fairly') are a key consideration in the review of products, services and delivery.
Where required the Executive Team will engage with advisors and specialists to ensure that the business conduct standards are maintained.

(f) The need to act fairly between members of the Company

Members of the Executive Team meet regularly with Group management to review the performance of the Company versus group targets and expectations. The group promotes an open communication culture.

Performance
Performance for the year was ahead of expectations with the business achieving its highest ever retail and wholesale new business levels. The retail portfolio (classified in the financial statements as "finance lease receivable") increased from £289million in 2018 to £314million at the end of 2019.

Profit for the financial year was £7.73million (2018: £7.77million), a small increase on prior year largely due to higher portfolio interest and lower risk costs.

Key Performance Indicators
The Directors use certain financial key performance indicators ("KPIs") to monitor and assess the performance of the Company. The principal KPIs are the income statement and statement of financial position as presented on pages 9 and 11 respectively. Ongoing review of business performance is carried out by comparing actual performance against annually set budgets.

On behalf of the board

Mr S Jones
Director
29/10/2020

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

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

Mr S Jones
Mr D Hullis
Mr M Casement

Results and dividends
The results for the year are set out on page 9.

An interim dividend was paid of £4million (2018: £5million). The directors do not recommend payment of a final dividend.

Financial Risk Management
The Company's financial risk management objectives are to mitigate as many of the risks faced by the Company as possible. The risks include credit, liquidity and interest rate risk. More detail on these risks is outlined in the strategic report on page 1.

Post reporting date events
The directors have concluded and made an assessment that the coronavirus pandemic does not provide any additional uncertainties that existed as at 31 December 2019. Therefore there are no revisions since that balance sheet to necessitate the revision of the financial statements.

Future developments
Future developments in the Company include further growth of operating lease business and the transition of Brexit. It is not anticipated that this will have a significant impact on the activities or performance of the business.

Independent Auditors
PricewaterhouseCoopers LLP served as the auditors throughout the year.

Statement of disclosure to Auditors
In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the 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 auditors are aware of that information

Statement of directors' responsibilities in respect of the financial statements
The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- 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 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.

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.

On behalf of the board

Mr S Jones
Director
29/10/2020

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AGCO FINANCE LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, AGCO Finance Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the income statement, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF AGCO FINANCE LIMITED

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

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

Auditors' responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Andrew Batty (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
29 October 2020

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £k	2018 £k
Turnover	**4**	22,790	19,784
Cost of sales	**5**	(7,301)	(6,227)
Gross profit		15,489	13,557
Administrative expenses		(6,309)	(4,464)
Other operating income	**6**	415	445
Profit before taxation		9,595	9,538
Tax on profit	**11**	(1,862)	(1,772)
Profit for the financial year		7,733	7,766

The notes on pages 14 to 45 are an integral part of these financial statements.

The income statement has been prepared on the basis that all operations are continuing operations.

AGCO FINANCE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £k	2018 £k
Profit for the financial year	7,733	7,766
Other comprehensive income	-	-
Total comprehensive income for the year	7,733	7,766

AGCO FINANCE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019		2018	
		£k	£k	£k	£k
Fixed assets					
Tangible assets	13		8,057		3,651
Current assets					
Debtors amounts falling due after one year	16	202,169		186,852	
Debtors amounts falling due within one year	16	288,102		265,439	
Cash at bank and in hand		450		1	
		490,721		452,292	
Creditors: amounts falling due within one year	22	(248,885)		(216,499)	
Net current assets			241,836		235,793
Total assets less current liabilities			249,893		239,444
Creditors: amounts falling due after more than one year	21		(212,973)		(206,257)
Net assets			36,920		33,187
Capital and reserves					
Called up share capital	25		6,000		6,000
Profit and loss account			30,920		27,187
Total equity			36,920		33,187

The notes on pages 14 to 45 are an integral part of these financial statements.

The financial statements on pages 9 to 45 were approved by the board of directors and authorised for issue on 29th October 2020 and are signed on its behalf by:

Mr S Jones
Director
29/10/2020

Company Registration No. 2521081

AGCO FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	Called up share capital £k	Profit and loss account £k	Total Equity £k
Balance at 1 January 2018		6,000	24,421	30,421
Total comprehensive income for the year		-	7,766	7,766
Dividends paid	12	-	(5,000)	(5,000)
Balance at 31 December 2018		6,000	27,187	33,187
Total comprehensive income for the year		-	7,733	7,733
Dividends paid	12	-	(4,000)	(4,000)
Effect of change in accounting policy (note 2)		-	-	-
Balance at 31 December 2019		6,000	30,920	36,920

The notes on pages 14 to 45 are an integral part of these financial statements.

AGCO FINANCE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £k	2019 £k	2018 £k	2018 £k
Cash flows from operating activities					
Cash absorbed by operations	**32**		(17,987)		(39,460)
Income taxes paid			(2,104)		(1,842)
Net cash outflow from operating activities			(20,091)		(41,302)
Investing activities					
Purchase of tangible fixed assets		(5,755)		(2,487)	
Proceeds on disposal of tangible fixed assets		687		-	
Net cash used in investing activities			(5,068)		(2,487)
Cash flows from financing activities					
Drawdown of loans		30,066		51,381	
Dividends paid		(4,000)		(5,000)	
Net cash generated from financing activities			26,066		46,381
Net increase in cash and cash equivalents			907		2,592
Cash and cash equivalents at beginning of year			(457)		(3,049)
Cash and cash equivalents at end of year			450		(457)
Relating to:					
Cash at bank and in hand			450		1
Bank overdrafts included in creditors payable within one year (note 23)			-		(458)

The notes on pages 14 to 45 are an integral part of these financial statements.

1 Accounting policies

Company information

AGCO Finance Limited is a private company limited by shares incorporated and domiciled in the United Kingdom. The registered office is Building 7, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YN.

1.1 Accounting convention

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied. They are prepared in GBP, which is the functional currency of the Company. Monetary amounts in these financial statement are rounded to the nearest £.

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.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to presentation of comparative information in respect of certain assets, standards not yet effective and impairment of assets. Specifically the Company has taken advantage of the following exemptions:

- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment and (iii) paragraph 118 (e) of IAS 38 Intangibles Assets,
- the requirements of paragraphs 10(f), 16, 38A to 38D, 40A-D of IAS 1 Presentation of Financial Statements;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors; and
- the requirements of paragraphs 130(f) (ii), 130(f) (iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

Where required, equivalent disclosures are given in the group financial statements of the parent company De Lage Landen International BV ("DLL"). The group financial statements of DLL are available to the public and can be obtained as set out in note 30.

1.2 Going concern

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

1 Accounting policies **(Continued)**

1.3 Turnover

Turnover is recognised at the fair value of the consideration received or receivable and represents amounts receivable from finance leases, operating leases and hire purchase agreements provided in the normal course of business, and is shown net of VAT and other sales related taxes.

The gross earnings under finance leases are allocated so as to give a constant rate of return on the Company's net cash investment in the lease. Rental income (less discounts granted to lessees) from operating leases is recognised on a straight line basis over the term of the lease.

Inventory finance income is recognised on an effective interest rate basis.

Other income comprises of document fees. Document fees are recognised at the start of the contract when the contract is activated.

Other Operating Income

Other operating income comprises of management charges. Management charges are recognised after invoicing the connected company, AGCO Finance DAC, for back office services.

1.4 Tangible fixed assets

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

Assets leased out under operating leases, where all risks and rewards of ownership are retained by the lessor, are stated at cost less accumulated depreciation and any provision for impairment. Depreciation on such assets is provided on a straight line basis to amortise the cost of the asset to its estimated residual value at the end of its useful economic life.

Depreciation methods, useful lives and residual values are reviewed at each statement of financial position date.

The useful life of operating lease assets is the term agreed with the customer.

1.5 Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.6 Cash and cash equivalents

Cash at bank and in hand are financial assets and include cash, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1 Accounting policies **(Continued)**

1.7 Financial instruments

Classification of financial instruments issued by the Company

Financial instruments issued by the Company are treated as equity only to the extent that they meet the following two conditions:

a. they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and

b. where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

The Company has classified its financial assets in the following measurement categories:
- Those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on:
1. Business model assessment; An assessment of how the business is managed and how the business is seen from a strategic point of view:
   - Hold to collect: where the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; or
   - Hold to collect and sell: where the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; or
   - Other business model.
2. Contractual cash flow assessment; An assessment of whether the cash flows of the financial assets are solely payment of principal and interest (SPPI test).

The business model assessment can be made on a portfolio basis, whereas the contractual cash flow assessment is assessed for each individual financial asset.

A debt instrument that is held within a business model "hold to collect" and meets the SPPI test is measured at amortized cost unless the asset is designated at fair value through profit or loss. A debt instrument that is held within a business model "hold to collect and sell" and meets the SPPI test is measured at fair value with fair value adjustments recognized in other comprehensive income unless the asset is designated at fair value through profit or loss. All other debt instruments are mandatorily measured at fair value through profit or loss.

1 Accounting policies **(Continued)**

Financial assets
Financial assets are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories. The classification depends on the nature and purpose of the financial assets and is determined at the time of recognition.

Financial assets are initially measured at fair value plus transaction costs.

Debtors
Trade debtors, loans and other receivables that are held to collect the contractual cash flows and that contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. The directors measure all of the Company's financial assets, other than the finance lease receivables (see 1.11 Leases) at amortised cost.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

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

Inventory finance receivables
Inventory finance receivables are measured at amortised cost less any impairment and represent inventory finance solutions to AGCO Limited's dealer network.

1 Accounting policies **(Continued)**

Impairment of financial assets

Impairment is the difference between contractual and expected cash flows of a financial asset both discounted to present value using the original implicit rate/ effective interest rate. The Company presents allowance for impairment separately from the gross balance of respective assets rather than directly reducing their carrying amounts. Given the number of uncertainties involved in estimation of allowance for impairment, it is considered by management to be a key estimate in preparation of these financial statements.

IFRS 9 establishes three separate approaches for measuring and recognizing expected credit losses. The Company implement these three-stage expected credit loss impairment models, which involve a significant degree of management judgement. The impairment methodology for advances results in the recognition of allowances measured at an amount equal to 12-month expected credit losses (stage 1); allowances measured at an amount equal to lifetime expected credit losses for financial assets for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets (stage 2); and financial assets that are credit-impaired (stage 3).

Impairment methodology

After the Company enters into a lease contract, it conducts continued credit management, closely monitoring payment behaviour, and for larger and/or higher risk exposures, periodically assesses new financial and non-financial information. The Company's credit risk management procedures ascertain whether the customer complies with the agreements made and whether this is expected to continue in the future. If doubts arise, the Company monitors the exposures more frequently and maintains them on a watch list.

The total loan impairment allowance consists of two components:

- Specific allowance for impaired exposures (IFRS 9 stage 3) determined for individually assessed impaired exposures.

– Allowance for not credit-impaired exposures determined as a collective provision for the portion of the portfolio that is not impaired and has a credit risk that either has not increased significantly since origination (stage 1) or has increased significantly since origination (stage 2).

Specific and collective impairments are based on actual portfolio analysis, with considerations of asset/ collateral recovery and expected collections to establish the estimated loss on defaulted positions.

The rules governing impairments apply to financial assets at amortized cost, as well as to finance lease receivables, contract assets, trade receivables, certain loan commitments, and financial guarantees. At initial recognition, an allowance is formed for the amount of the expected credit losses from possible defaults in the coming 12 months ('12-months expected credit loss' (ECL)). If credit risk has increased significantly since origination (but remains non-credit-impaired), an allowance is required for the amount that equals the expected credit losses stemming from possible defaults during the expected lifetime of the financial asset ('Lifetime ECL'). If the financial instrument becomes credit-impaired the allowance will remain at the Lifetime ECL. Financial instruments become credit-impaired when one or more events have occurred that had a detrimental impact on estimated future cash flows.

Two fundamental drivers of the IFRS 9 impairments requirements are a) the methodology for the measurement of 12-Month and Lifetime Expected Credit Losses and b) the criteria used to determine whether a 12-Month ECL, Lifetime ECL non-credit impaired, or Lifetime ECL credit-impaired should be applied (also referred to as stage determination criteria).

1 Accounting policies **(Continued)**

a) Methodology to determine expected credit losses

In order to determine ECLs the Company utilizes point-in-time Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD) models for the majority of the portfolio.

b) Stage determination criteria
In order to allocate financial instruments in scope between the categories 12-month ECL (stage 1 performing), Lifetime ECL (stage 2 under-performing), and Lifetime ECL (stage 3 non-performing) a framework of qualitative and quantitative factors has been developed resulting in a classification of financial instruments. The criteria for allocating a financial instrument to stage 3 are fully aligned with the criteria for assigning a defaulted status, for example 90 days past-due status, or if a debtor is likely to become unable to pay its credit obligations without liquidation of the underlying asset or collateral by the Company. In order to allocate financial instruments between stages 1 and 2, the Company uses criteria, such as days-past-due status, special asset management status and deterioration of the PD since origination.
For portfolios without individual PDs or with PDs that are not updated on a frequent basis such that an assessment of the change in PD is not possible, a collective assessment on groups of financial instruments with shared credit risk characteristics is made.

The Company uses internal models to estimate PD, LGD, and EAD parameters as key inputs to its provision calculations. Different modelling methodologies are applied for different portfolios, ranging from statistical models to expert-based models that take into account quantitative and qualitative risk drivers. These models are embedded in the credit approval and internal reporting processes. All models in use at the Company are regularly reviewed and validated, following the model governance framework of the Company, which includes a Model Risk Committee. Policies ensure controlled procedures surrounding review, (re)development, validation, approval, and implementation of models.

Macroeconomic scenarios, which are forward looking, are incorporated into these models and probability weighted in order to determine the expected credit losses.

Financial liabilities
Financial liabilities are classified as either financial liabilities at fair value through the income statement or other financial liabilities.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability to the net carrying amount on initial recognition.

Due to the nature of the Company's activities, the Directors consider the classification of interest payable as cost of sales to be the most relevant presentation to adopt.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the Company's obligations are discharged, cancelled, or they expire.

1 Accounting policies **(Continued)**

Other financial liabilities at fair value through profit and loss

Derivatives, including interest rate swaps and forward foreign exchange contracts, are financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

1.8 Taxation

Tax on the profit or loss for the year comprises current and deferred tax.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to tax payable in respect of previous years. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date. These balances are undiscounted

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

1.9 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of stock or fixed assets.

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

Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.10 Retirement benefits

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement in the periods during which services are rendered by the employees.

1 Accounting policies **(Continued)**

1.11 Leases

Where the Company is a Lessor

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees.

Assets held under finance leases are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the income statement so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, were charged to income on a straight line basis over the term of the relevant lease. Amounts due from lessees under finance leases are recognised as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of leases.

Where the Company is a Lessee

The Company leases its vehicles. The rental contract are for 3 years. The contracts contain both lease and non-lease components; however, for leases the Company has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. The lease agreement does not impose any covenants other than the security interests in the leased asset that is held by the lessor. The leased asset may not be used as security for borrowing purposes.

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. Leases in which a significant portion of the risks and rewards of ownership were not transferred to the Company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the group under residual value guarantees
- the exercise price of a purchase option if the group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

1 Accounting policies **(Continued)**

The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

1.12 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation are included in the income statement for the period.

2 Adoption of new and revised standards and changes in accounting policies

IFRS16 Leases

As indicated in note 1.1 above, the Company has adopted IFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 1.1.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.8%.

Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Company has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Company relied on its assessment made applying IAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

Measurement of lease liabilities	**2019** **£k**
Operating lease commitment disclosed as at 31 December 2018	35
Discounted using the lessee's incremental borrowing rate of at the date of initial application	20
Less: short-term leases not recognised as a liability	11
Lease liability recognised as at 1 January 2019	44
Of which are:	
Current lease liabilities	0
Non-current lease liabilites	44
	44

2 Adoption of new and revised standards and changes in accounting policies (Continued)

Measurement of right-of-use assets

The right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

Adjustments recognised in the balance sheet on 1 January 2019

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- Right-of-use assets increase by £44,000
- Lease liabilities decrease by £44,000

The net impact on retained earnings on 1 January 2019 was £nil.

3 Judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods

Significant estimates

The following estimates have had the most significant effect on amounts recognised in the financial statements.

Impairment losses on finance lease and inventory finance receivables

IFRS9 requires an impairment allowance for Expected Credit Losses (ECL) to be recorded on all financial assets, including finance lease receivables. Key judgments within the impairment accounting policy that have an impact on the level of ECL allowances include;

1) Determining the criteria for significant increase in credit risk.
2) Choosing appropriate methods and assumptions for the measurement of ECLs. Specifically, a number of assumptions are required such as estimated resale value, current market for agricultural equipment, the customer likelihood of paying based on payment history and credit risk, and merchandising issues. The carrying value of impairment provisions is £1,374k (2018: £1,205).

4 Turnover

An analysis of the company's turnover is as follows:

	2019 £k	2018 £k
Turnover		
Finance lease interest income	1,254	1,215
Hire purchase interest income	14,676	13,093
Operating lease income	1,734	904
Inventory finance income	3,633	3,198
Other income	1,493	1,374
	22,790	19,784

Turnover analysed by geographical market

	2019 £k	2018 £k
United Kingdom	22,790	19,784

5 Cost of Sales

Included in cost of sales are the following:

	2019 £k	2018 £k
Interest payable on bank overdrafts and loans	6,317	5,328
Other	984	899
	7,301	6,227

The interest payable on bank loans and overdrafts above principally relates to payments to the ultimate parent undertaking. The other element principally relates dealer volume bonus.

6 Other operating income

	2019 £k	2018 £k
Management fees receivable	415	445

The other operating income relates to the management charge paid by AGCO Finance DAC to the Company.

7 Operating profit

Operating profit for the year is stated after charging/(crediting):	2019 £k	2018 £k
Exchange losses/(gains)	13	(6)
Depreciation of owned tangible fixed assets	662	783
Finance lease charges	21	66

8 Auditors' remuneration

Fees payable to the Company's auditors'	2019 £k	2018 £k
For audit services		
Audit of the Company's financial statements	52	90

There were no non-audit fees paid to the Company's auditors' (2018: £Nil).

9 Employees

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

	2019 Number	2018 Number
Sales	9	9
Admin	27	26
	36	35

9 Employees (Continued)

Their aggregate remuneration comprised:

	2019 £k	2018 £k
Wages and salaries	2,028	1,983
Social security costs	198	172
Other pension costs	185	181
	2,411	2,336

10 Directors' remuneration

	2019 £k	2018 £k
Remuneration for qualifying services	171	165
Company pension contributions to defined contribution schemes	17	16
	188	181

Included in directors' emoluments is an amount attributable to the highest paid director of £170,604 (2018: £165,203). The Company's contribution to the individual defined contribution scheme of the highest paid director was £17,002 (2018: £16,267) during the current year. Other directors did not receive any emoluments for services provided to the Company. All other directors were employed by and received all emoluments from either AGCO Limited or De Lage Landen Leasing Limited (DLL). The directors perform director's duties for multiple entities in the DLL and AGCO Group, as well as their employment duties within DLL and AGCO Group businesses. Consequently, allocating their employment compensation accurately across all these duties would not be feasible. Accordingly, no separate remuneration has been disclosed for these directors.

11 Tax on profit

	2019 £k	2018 £k
Total current tax		
UK Corporation tax on profits for the current year	1,839	1,714
Deferred tax		
Origination and reversal of timing differences	23	58
Total tax charge	1,862	1,772

11 Tax on profit (Continued)

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

	2019 £k	2018 £k
Profit before taxation	9,595	9,538
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	1,823	1,812
Effect of reduction in corporation tax rate on deferred tax	-	7
Permanent capital allowances in excess of depreciation	22	-
Permanent timing differences	12	(7)
Other permanent differences	5	(11)
Adjustments in respect of prior periods	-	(29)
Tax expense for the year	1,862	1,772

Factors that may affect future current and total tax charges

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015 and were substantially enacted on the 26 October 2015. These included reductions to the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. A further change was announced in the Chancellor's Budget on 16 March 2016 to reduce the main rate to 17% from 1 April 2020. Consequently in March 2020 this was reversed and kept at 19%. The deferred tax asset at 31 December 2019 has been calculated using a rate of 17%.

12 Dividends

	2019 £ per share	2018 £ per share	2019 £k	2018 £k
"A" ordinary shares				
Interim paid	0.67	0.83	2,040	2,550
"B" ordinary shares				
Interim paid	0.67	0.83	1,960	2,450
Total dividends				
Interim paid			4,000	5,000

13 Tangible assets

	Fixtures, fittings & equipment	Right of Use - Motor vehicles	Operating lease agreements	Total
	£k	£k	£k	£k
Cost				
At 1 January 2019	57	-	4,674	4,731
Effect of change in accounting policy	-	44	-	44
Additions	-	94	5,617	5,711
Disposals	-	-	(925)	(925)
At 31 December 2019	57	138	9,366	9,561
Depreciation and impairment				
At 1 January 2019	57	-	1,023	1,080
Depreciation charged in the year	-	33	629	662
Eliminated in respect of disposals	-	-	(238)	(238)
At 31 December 2019	57	33	1,414	1,504
Carrying amount				
At 31 December 2019	-	105	7,952	8,057
At 31 December 2018	-	-	3,651	3,651

14 Leases

This note provides information for leases where the Company is a lessee. For leases where the Company is a lessor, see note 17.

Amounts recognised in the Statement of financial position

The Statement of financial position shows the following amounts relating to the Company's leases:

	2019	1st Jan 2019
	£k	£k
Right-of-use assets		
Vehicles	105	44
Lease liabilities		
Current	5	-
Non-current	101	44
	106	44

Additions to the right-of-use assets during the 2019 financial year were £94,000

Amounts recognised in the Statement of comprehensive income

	2019
	£k
Depreciation charge of right-of-use assets:	
Vehicles	33
Interest expense (included in administration expenses)	2
Expenses relating to short term leases (included in administration expenses)	24

The total cash outflow for leases in 2019 was £120,000.

15 Financial instruments

Financial assets and liabilities measured at amortised cost but for which fair value is disclosed

Determination of fair value

(a) Level 1 – quoted market price: financial instruments with quoted prices for identical instruments in active markets.
(b) Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
(c) Level 3 – valuation technique using significant unobservable inputs: financial instruments valued using models where one or more significant inputs are unobservable.

For all financial instruments, the fair value is equal to the carrying value in the statement of financial position, except as analyzed below. The following table presents the Company's financial assets and liabilities that are measured at fair value at 31 December 2019:

At 31 December 2019	Carrying value £k	Level 1 £k	Level 2 £k	Level 3 £k
Financial Assets				
Finance lease receivables	314,116	-	-	322,056
Total	314,116	-	-	322,056

At 31 December 2018	Carrying value £k	Level 1 £k	Level 2 £k	Level 3 £k
Financial Assets				
Finance lease receivables	289,291	-	-	291,034
Total	289,291	-	-	291,034

The fair value of finance lease receivables is calculated by discounting future minimum lease receivables using appropriate current interest rates.

16 Debtors

Amounts falling due within one year:	2019 £k	2018 £k
Trade debtors	-	4
Amounts due from fellow group undertakings	410	451
Finance leases receivable (note 17)	112,899	103,414
Inventory finance receivable	160,218	150,995
Other debtors	14,523	10,519
Prepayments and accrued income	52	56
	288,102	265,439

Amounts due from fellow group undertakings are unsecured, have no fixed date of repayment and are repayable on demand.

Amounts falling due after one year:		
Finance leases receivable (note 17)	201,217	185,877
Deferred tax asset (note 24)	952	975
	202,169	186,852
Total debtors	490,271	452,291

17 Finance lease receivables

	2019 £k	2018 £k
Gross amounts receivable under finance leases:		
Within one year	140,766	130,154
Later than one year but not later than five years	204,913	190,465
Later than five years	1,985	1,652
	347,664	322,271
Impairment provision	(929)	(824)
Unearned finance income	(32,619)	(32,156)
Present value of minimum lease payments receivable	314,116	289,291
The present value is receivable as follows:		
Within one year	112,899	103,414
Later than one year but not later than five years	198,679	185,877
Later than five years	2,538	-
	314,116	289,291

Analysis of finance leases

The fair value of finance lease receivables is not considered to be significantly different from the carrying value (see note 15)

The Company enters into financial leasing arrangements for customers of AGCO dealers so they can acquire capital equipment. The average term of finance leases entered into is 45 months (2018: 45).

18 Financial Instruments - Credit Risk

Credit Risk

Financial Risk Management
Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's receivables from customers.

Credit risk is mitigated by having a broad spectrum of customers, pre-acceptance credit checks, active review, portfolio arrears management and beyond this a very active used machinery market.

The credit risk maximum exposure is the carrying value as at the statement of financial position date.

Risk Rating
The Company applies the Rabobank Risk Rating (RRR) master scale credit rating system to manage the risk level of its credit risk exposures. Although this system is developed and maintained by Rabobank, the Company's management is of the opinion that this system represents an important indicator for the risk to which the Company is exposed. The scale includes performing ratings (R0-R20) with R0 being the strongest rating corresponding to sovereign debt. The ratings correspond to specified PD levels as well as default ratings assigned in different events of default (D1-D4). The RRR scale can be mapped to the Standard & Poor's (S&P's) grades based on the long-term average default rates for each external grade. The RRRs are assigned to the majority of counterparties upon credit application and are determined initially based on internally developed credit risk models. These models take into account key factors such as market sector, country, size of counterparty, payment history and other financial information. In some cases model results may be combined with professional judgement to determine the RRR.

In respect of finance lease receivables, there is a right to the underlying asset as the assets are recoverable in case of default even though the title to the underlying assets remain with the lessor. It is anticipated that the sales proceeds would cover any shortfall in the amounts recovered from the lessee. However there is no other collateral in respect of finance lease receivables. Inventory finance funding is based on an assignment of all rights, title and interests in connection with the receivables. The Company retains title to the equipment until all amounts have been paid in full. The credit quality of the portfolio is as follows:

		2019	2018
Rabobank Risk Rating	S&P Equivalent	£k	£k
R0-R10	AAA to BBB-	66,001	42,203
R11-R13	BB+ to BB	176,165	139,113
R14-R16	BB- to B+/B	173,692	104,497
R17-R18	B to B-	38,421	134,133
R19-R20	B-/CCC+ to CC	16,328	15,157
		470,607	435,103
Not past due			
<30 days		3,351	2,703
30 to 60 days		371	940
61 to 90 days		154	487
> 90 days		196	15
Defaulted		6,577	1,038
		481,256	440,286

18 Financial Instruments - Credit Risk **(Continued)**

The table above relates to finance lease receivables and inventory finance receivables.
Credit risk exposures

	2019 Maximum exposure £k	Collateral coverage %	2018 Maximum exposure £k	Collateral coverage %
Lease receivables	314,116	97.50%	289,291	99.40%

Collateral and credit enhancements
The Company accepts collateral and other credit enhancements from end users and third parties to manage the credit risk level. Material financing arrangements under finance leases are secured by the Company's title to or a lien/pledge on the underlying assets. The fair values of those assets are determined by the Global Asset Management department which provides values based on for example the asset type, manufacturer, resale history, historic value depreciation, location and other factors. These fair values are regularly reviewed by Global Asset Management Committees for each Global Business Unit, which focuses on respective industries.

Other types of credit enhancements include guarantees, which may be corporate and personal guarantees from third parties related to an end-user lessee.

Analysis of portfolio by stage
The table below shows the credit quality of the financial assets subject to impairment. The gross carrying amount of the financial assets, excluding operating leases, below represents the maximum exposure to credit risk on these assets:

At 31 December 2019		Non credit impaired		Credit impaired	
		Subject to 12-month ECL Stage 1 £k	Subject to lifetime ECL Stage 2 £k	Subject to lifetime ECL Stage 3 £k	Total gross exposure £k
(Virtually) no risk	R0-R7 Arrears less than or equal to 60 days	4,564	13	-	4,577
Adequate to good	R8-R20 Arrears less than or equal to 60 days	419,521	50,231	-	469,752
Vulnerable	Arrears more than 60 days	-	350	-	350
Defaulted	Impaired	-	-	6,577	6,577
		424,085	50,594	6,577	481,256

18 Financial Instruments - Credit Risk **(Continued)**

At 31 December 2018		**Non credit impaired**		**Credit impaired**	
		Subject to 12-month ECL Stage 1	**Subject to lifetime ECL Stage 2**	**Subject to lifetime ECL Stage 3**	**Total gross exposure**
		£k	**£k**	**£k**	**£k**
(Virtually) no risk	R0-R7 Arrears less than or equal to 60 days	242	93	-	335
Adequate to good	R8-R20 Arrears less than or equal to 60 days	388,773	49,638	-	438,411
Vulnerable	Arrears more than 60 days	-	502	-	502
Defaulted	Impaired	-	-	1,038	1,038
		389,015	50,233	1,038	440,286

The table below further analyses the credit quality of the portfolio (including ageing analysis):

At 31 December 2019	**Subject to 12-month ECL Stage 1**	**Subject to lifetime ECL Stage 2**	**Subject to lifetime ECL Stage 3**	**Total gross exposure**
	£k	**£k**	**£k**	**£k**
Not past due	420,973	49,634	-	470,607
<30 days	3,112	239	-	3,351
30 to 60 days	-	371	-	371
61 to 90 days	-	154	-	154
> 90 days	-	196	-	196
Impaired	-	-	6,577	6,577
	424,085	50,594	6,577	481,256

18 Financial Instruments - Credit Risk **(Continued)**

At 31 December 2018	**Subject to 12-month ECL Stage 1**	**Subject to lifetime ECL Stage 2**	**Subject to lifetime ECL Stage 3**	**Total gross exposure**
	£k	**£k**	**£k**	**£k**
Not past due	386,687	48,416	-	435,103
<30 days	2,328	375	-	2,703
30 to 60 days	-	940	-	940
61 to 90 days	-	487	-	487
> 90 days	-	15	-	15
Impaired	-	-	1,038	1,038
	389,015	50,233	1,038	440,286

Stage determination criteria
In order to allocate financial instruments in scope between the categories 12-month ECL (stage 1 performing), Lifetime ECL (stage 2 under-performing), and Lifetime ECL (stage 3 non-performing) a framework of qualitative and quantitative factors has been developed resulting in a classification of financial instruments. The criteria for allocating a financial instrument to stage 3 are fully aligned with the criteria for assigning a defaulted status, for example 90 days past-due status, or if a debtor is likely to become unable to pay its credit obligations without liquidation of the underlying asset or collateral by the Company. In order to allocate financial instruments between stages 1 and 2, the Company uses criteria, such as days-past-due status, special asset management status and deterioration of the PD since origination.

Impairment Provisions
The following table presents the movements in impairment provisions as well as the composition:

At 31 December 2019	**Subject to 12-month ECL Stage 1**	**Subject to lifetime ECL Stage 2**	**Subject to lifetime ECL Stage 3**	**Total 2019**
	£k	**£k**	**£k**	**£k**
At 1 January	320	172	713	1,205
Movement in provision	21	64	263	348
Write off	-	-	(179)	(179)
At 31 December	341	236	797	1,374

At 31 December 2018	**Subject to 12-month ECL Stage 1**	**Subject to lifetime ECL Stage 2**	**Subject to lifetime ECL Stage 3**	**Total 2018**
	£k	**£k**	**£k**	**£k**
At 1 January	314	174	998	1,486
Movement in provision	6	(2)	(238)	(234)
Write off	-	-	(47)	(47)
At 31 December	320	172	713	1,205

18 Financial Instruments - Credit Risk **(Continued)**

	Subject to 12-month ECL Stage 1 £k	Subject to lifetime ECL Stage 2 £k	Subject to lifetime ECL Stage 3 £k	Total 2019 £k
Lease receivable				
At 1 January 2019	73	39	713	825
Movement in provision	5	15	263	283
Write-off	-	-	(179)	(179)
At 31 December 2019	78	54	797	929
Inventory finance receivable				
At 1 January 2019	247	133	-	380
Movement in provision	16	49	-	65
Write-off	-	-	-	-
At 31 December 2019	263	182	-	445
Total	341	236	797	1,374

	Subject to 12-month ECL Stage 1 £k	Subject to lifetime ECL Stage 2 £k	Subject to lifetime ECL Stage 3 £k	Total 2018 £k
Lease receivable				
At 1 January 2018	111	60	998	1,169
Movement in provision	(38)	(21)	(238)	(297)
Write-off	-	-	(47)	(47)
At 31 December 2018	73	39	713	825
Inventory finance receivable				
At 1 January 2018	206	111	-	317
Movement in provision	41	22	-	63
Write-off	-	-	-	-
At 31 December 2018	247	133	-	380
Total	320	172	713	1,205

19 Financial Instruments - Liquidity Risk

Liquidity Risk

Financial Risk Management

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. It is mitigated by having a very active used machinery market, active portfolio management and a rigorous pre-deal credit process. In addition intercompany funding is available to fund any cash shortfalls which arise.

The following is a breakdown of the financial maturities of the undiscounted contractual cashflows associated with financial liabilities at the statement of financial position date.

	Group payables	Loans and interest	Overdrafts	Trade accruals & other creditors	Lease liabilities	Total
	£k	£k	£k	£k	£k	£k
As at 31 December 2019						
Payable within one year	2,433	236,247	-	14,937	5	253,622
One to < two years	-	104,320	-	-	101	104,421
Two to < five years	-	111,903	-	-	-	111,903
More than five years	-	1,457	-	-	-	1,457
	2,433	453,927	-	14,937	106	471,403
As at 31 December 2018						
Payable within one year	1,269	212,491	458	6,423	-	220,641
One to < two years	-	99,169	-	-	-	99,169
Two to < five years	-	110,800	-	-	-	110,800
More than five years	-	1,513	-	-	-	1,513
	1,269	423,973	458	6,423	-	432,123

20 Financial Instruments -Market Risk

Financial Risk Management

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

The Company has minimal foreign currency risk as no financial instruments are held in a foreign currency.

The Company is subject to financial and commercial interest rate risks. The Company prefunds a large percentage of predicted new business with fixed rate loans. This then allows the customer interest rate to track the Company's own borrowing costs.

The Company holds no equity as financial instruments.

21 Creditors: amounts falling due after more than one year

The following is a breakdown of the undiscounted contractual cash flows of financial liabilities at the statement of financial position date.

	Note	2019 £k	2018 £k
Loans and overdrafts	23	212,872	206,257
Lease liabilities		101	-
		212,973	206,257

Amounts included above which fall due after five years are as follows:

	2019	2018
Payable by instalments	1,447	1,500

The loans over 5 years are payable in instalments at a commercial rate of interest and an average term of 71 months (2018: 65 months).

22 Creditors: amounts falling due within one year

	Notes	2019 £k	2018 £k
Loans and overdrafts	23	231,182	208,189
Lease liabilities		5	-
Trade creditors		120	66
Amounts due to group undertakings		2,433	1,269
Corporation tax		287	552
Other taxation and social security		41	66
Other creditors		5,285	18
Accruals and deferred income		9,532	6,339
		248,885	216,499

Amounts due to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

23 Loans and overdrafts

	2019 £k	2018 £k
Loans	444,054	413,988
Bank overdrafts	-	458
	444,054	414,446
Payable within one year	231,182	208,189
Payable after one year	212,872	206,257

The amounts due in respect of loans above are due to DLL and bear commercial rates of interest.

24 Deferred taxation

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Balances:	Assets 2019 £k	Assets 2018 £k
Decelerated capital allowances	776	866
Other temporary differences	176	109
	952	975

24 Deferred taxation

(Continued)

Movements in the year:	Other temporary differences 2019 £k	Decelerated capital allowances 2019 £k	Total 2019 £k	Other temporary differences 2018 £k	Decelerated capital allowances 2018 £k	Total 2018 £k
At beginning of year	109	866	975	141	892	1,033
Credit/(debit) to income statement	67	(90)	(23)	(32)	(26)	(58)
At end of year	176	776	952	109	866	975

25 Called up share capital

	2019 £k	2018 £k
Issued and fully paid		
3,060,000 "A" (2018: 3,060,000 "A") ordinary shares of £1 each	3,060	3,060
2,940,000 "B" (2018: 2,940,000 "B" ordinary shares of £1 each	2,940	2,940
	6,000	6,000

Although "A" and "B" shares constitute different classes of shares, their holders have the same rights and are ranked equally in all respects including for voting rights, dividends and repayment of capital on a winding up basis.

26 Retirement benefit schemes

Defined contribution schemes	2019 £k	2018 £k
Charge to income statement in respect of defined contribution schemes	185	181

The Company makes defined contributions to a corporate personal pension scheme for all qualifying employees. The contributions to the scheme are made when due and charged to the income statement in the same period.

The charge to the income statement in respect of defined contribution schemes was £185k (2018: £181k).

27 Capital commitments

The Company had no contracted capital commitments at 31 December 2019.

28 Related party transactions

Transactions with related parties

	Interest charged on finance provided by Rabobank and fellow subs		Amount paid to AGCO principally in respect of wholesale financing	
	2019	2018	2019	2018
	£k	£k	£k	£k
Entities with control, joint control or significant influence over the company	6,317	5,330	395,645	383,793
	6,317	5,330	395,645	383,793

The amounts paid to AGCO Limited ("AGCO") were in respect of wholesale financing to AGCO dealerships.

During the year the Company received nil interest (2018: £0) from Rabobank and fellow subsidiaries.

The Company received administration income of £414,813 (2018: £444,837) from AGCO Finance DAC, a company registered in Ireland, with a similar share ownership. At the year end, an amount of £401,944 (2018: £450,966) was owed to the company in respect of administration charges.

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2019	2018
	£k	£k
Rabobank and fellow subsidiaries	2,332	1,269
	2,332	1,269

The Company also has amounts outstanding on loans due to DLL (see note 22).

(a) Rabobank is the trading name of the ultimate parent company (see note 30).
(b) AGCO Limited is a subsidiary undertaking of AGCO International Limited. At 31 December 2017, AGCO International Limited held "B" ordinary shares representing its aggregate 49% of the total issued share capital of the Company.

29 Events after the reporting date

On 23 March 2020 the United Kingdom government announced a series of lockdown restrictions aimed at limiting the spread of the coronavirus pandemic. These restrictions have impacted adversely on the general UK economy. The impact on the Company has been relatively limited.

The spread of coronavirus represents a non-adjusting post balance sheet event and therefore it remains appropriate that the measurement of assets and liabilities as at 31 December 2019 reflects only the conditions that existed at that date. The directors have concluded that the pandemic does not provide any additional information about uncertainties and events that existed at 31 December 2019. Consequently, the directors' assessment of potential post balance sheet events did not reveal any events that require adjustment to be made to the financial statements.

30 Ultimate controlling party

Parent company
The immediate parent company is De Lage Landen Leasing Limited which owns the "A" ordinary shares representing in aggregate 51% of the total issued share capital of the company.

The smallest group in which the results of the Company are consolidated is that headed by De Lage Landen International BV which is incorporated in the Netherlands. The group financial statements of De Lage Landen International BV may be obtained from Vestdijk 51, PO Box 652, 5600 AR, Eindhoven, The Netherlands.

De Lage Landen International BV is the holding company of DLL. DLL is a 100 percent subsidiary of Coöperatieve Rabobank U.A ("Rabobank"), a Dutch bank, headquartered in Utrecht, The Netherlands. The financial statements of Rabobank, the ultimate parent company and controlling party, may be obtained from Croeselaan 18, Postbus 17100, 3500 HG Utrecht, The Netherlands. The largest group in which the results of the Company are consolidated is that headed by Rabobank.

31 Capital Management

The Company is not subject to externally imposed capital requirements and is dependent on Rabobank to provide necessary capital resources which are therefore managed on a group basis. The Company defines capital as total shareholders' equity. It is the Company's objective to maintain a strong capital basis to support the development of its business.

Internally, the Company manages capital to keep the Solvency ratio Basel 1 (Equity/Solvency required assets) at 8% or above. The level of dividends paid out are managed to maintain capital at this ratio.

There were no changes to the Company's approach to capital management during the year.

32 Cash absorbed by operations

	2019 £k	2018 £k
Profit for the financial year before tax	9,595	9,538
Adjustments for:		
Operating lease depreciation	662	783
Increase/(decrease) in provisions	170	(281)
Movements in working capital:		
(Increase) in debtors	(38,173)	(51,364)
Increase in creditors	9,759	1,864
Cash absorbed by operations	(17,987)	(39,460)