Company Registration No. 2521081 (England and Wales)

AGCO FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

THURSDAY
AB9P43RN
A12 04/08/2022 #83
COMPANIES HOUSE

AGCO FINANCE LIMITED

COMPANY INFORMATION

Directors	Mr S Jones Mr D Hullis Mr A Frost
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 2021.

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 2021 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 10 and the Company's financial position is set out in the statement of financial position on page 12.

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
In 2021, there were ongoing challeges in terms of navigating the changing circumstances presented by the Covid-19 pandemic, including its impact on the economy and upon home and office working arrangements. The company received some payment holiday requests but at much lower levels than in the previous year. There are no customers remaining who are deferring rentals via the use of a payment holiday. The financial performace of the company improved and was not as severely impacted as it was in 2020. Management continue to review the impact on operations.

Broader geopolitical and social risks, including invasion by Russia of Ukraine:
During the course of the past two years, since the onset of the Covid-19 pandemic, a number of broader risks have evolved and may present future headwinds. These include cost of living and geopolitical tensions between regions across the world, global supply chain pressures (which have already fuelled inflationary pressures), streched household finances, and emerging social unrest. These factors are also likely to play into increased localised political risk, including in the UK. The Company is closely following these developments and the potential for any material impacts which may need to be taken into consideration in its future plans and intends to take a coordinated approach with the other members of the Coöperatieve Rabobank U.A. group.

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 of both executive and non-executive members. The Executive Team comprises of 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. The Executive Team's 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 the potential outcome of decisions. 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 to members of the management team such as HR and Compliance.

(b) The interests of the Company's members (employees)

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 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 £340million in 2020 to £359million at the end of 2021.

Profit for the financial year was £11.75million (2020: £7.09million), a £4.66million increase on prior year mainly due to the release of risk costs from the previous year..

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 10 and 14 respectively. Ongoing review of business performance is carried out by comparing actual performance against annually set budgets.

Other performance indicators
Other KPIs include annual customer, supplier, and employee surveys which are monitored throughout the year to continually improve.

On behalf of the board

Mr D Hullis
Director

....

The directors present their annual report and audited financial statements for the year ended 31 December 2021.

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 (resigned 10 Feb 2022)
Mr A Frost (appointed 10 Feb 2022)

Results and dividends
The results for the year are set out on page 10.

A dividend was paid during the year of £8million (2020: Nil). 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 and the current war in Ukraine does not provide any additional uncertainties that existed as at 31 December 2021. Therefore, there are no events since the balance sheet date that need disclosing.

Future developments
Future developments in the Company include further growth of operating lease business and the monitoring of Brexit. With current cost of living increase and inflation pressures seen around the world, we continue to monitor our customers, dealers portfolio and pricing. It is not anticipated that this will have a significant impact on the activities or performance of the business at this time.

Sustainability
The company does not meet the requirements for carbon reporting

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 directors are 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 D Hullis
Director
28/07/2022

AGCO FINANCE LIMITED

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 2021 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: Statement of financial position as at 31 December 2021; Income statement, Statement of comprehensive income, Statement of changes in equity and Statement of cash flows 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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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 our work undertaken in the course of the audit, the Companies Act 2006 requires 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 2021 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to any breach of the rules of the Financial Conduct Authority ("FCA") or of UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as The Companies Act 2006 and UK-adopted international accounting standards. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journal entries and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Updating our understanding of the legal and regulatory framework applicable to the Company and industry;
- Making enquiries with management and those charged with governance in relation to known or suspected instances of non-compliance with laws and regulations and fraud;;
- Testing journals using a risk-based approach and evaluating whether there was evidence of bias;
- Testing significant assumptions and judgements made by management in arriving at key accounting estimates; and
- Review of Board meeting minutes.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 obtained 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.

Nikhil Dhiri (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
28 July 2022

AGCO FINANCE LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £k	2020 £k
Turnover	3	24,555	24,438
Cost of sales	4	(6,346)	(7,002)
Gross profit		18,209	17,436
Administrative expenses		(4,975)	(8,519)
Other operating income	5	491	416
Profit before taxation		13,725	9,333
Tax on profit	10	(1,972)	(2,243)
Profit for the financial year		11,753	7,090

The notes on pages 15 to 46 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 2021

	2021 £k	2020 £k
Profit for the financial year	11,753	7,090
Other comprehensive income	-	-
Total comprehensive income for the year	11,753	7,090

AGCO FINANCE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		2021		2020	
	Note	£k	£k	£k	£k
Fixed assets					
Tangible assets	12		11,973		12,945
Current assets					
Debtors: amounts falling due after one year	15	217,079		207,371	
Debtors: amounts falling due within one year	15	332,506		319,332	
Cash at bank and in hand		199		216	
		549,784		526,919	
Creditors: amounts falling due within one year	21	(270,679)		(265,376)	
Net current assets			279,105		261,543
Total assets less current liabilities			291,078		274,488
Creditors: amounts falling due after more than one year	20		(243,315)		(230,478)
Net assets			47,763		44,010
Capital and reserves					
Called up share capital	24		6,000		6,000
Profit and loss account			41,763		38,010
Total equity			47,763		44,010

The notes on pages 15 to 46 are an integral part of these financial statements.

The financial statements on pages 10 to 46 were approved by the board of directors and authorised for issue on .... and are signed on its behalf by:

....
Mr D Hullis
Director
28/07/2022

Company Registration No. 2521081

AGCO FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Called up share capital £k	Profit and loss account £k	Total Equity £k
Balance at 1 January 2020		6,000	30,920	36,920
Profit and total comprehensive income for the year		-	7,090	7,090
Balance at 31 December 2020		6,000	38,010	44,010
Profit and total comprehensive income for the year		-	11,753	11,753
Dividends paid	11	-	(8,000)	(8,000)
Balance at 31 December 2021		6,000	41,763	47,763

The notes on pages 15 to 46 are an integral part of these financial statements.

AGCO FINANCE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £k	2021 £k	2020 £k	2020 £k
Cash flows from operating activities					
Cash absorbed by operations	30		(7,907)		(22,705)
Income taxes paid			(1,410)		(2,988)
Net cash outflow from operating activities			(9,317)		(25,693)
Investing activities					
Purchase of tangible fixed assets		(4,828)		(7,392)	
Proceeds on disposal of tangible fixed assets		3,701		1,563	
Net cash used in investing activities			(1,127)		(5,829)
Cash flows from financing activities					
Drawdown of loans		18,477		31,298	
Payment of finance leases obligations		(50)		(10)	
Dividends paid		(8,000)		-	
Net cash generated from financing activities			10,427		31,288
Net decrease in cash and cash equivalents			(17)		(234)
Cash and cash equivalents at beginning of year			216		450
Cash and cash equivalents at end of year			199		216

The notes on pages 15 to 46 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. For details on the Company's principal activity please refer to the Strategic report set out on page 1.

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 £'000.

The financial statements have been prepared on the historical cost basis with an exception of finance lease receivables and loans which are calculated at fair value in accordance with the Companies Act 2006. The principal accounting policies adopted are set out below. The accounting polices adopted are the same as in the previous year and have been consistently applied .

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 28.

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 and the war in Ukraine .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. As of the end of 2021 LIBOR was abolished. The company had moved all customers with variable rates of interest based upon this rate onto fixed rates in anticipation of this change and created a new internal rate for inventory finance customers

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.

Right of use assets motor cars are depreciated on a straight line basis over 3 years.

Fixtures and fitting are depreciated on a straight line basis over 5 years.

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 Accounting policies **(Continued)**

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.

1.7 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)**

1.7 Financial instruments

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)**

1.7 Financial instruments

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)**

1.7 Financial instruments

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)

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)**

1.11 Leases

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.

2 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

2 Judgements and key sources of estimation uncertainty (Continued)

Significant Estimates

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

Determining a provision requires a significant degree of judgment, based on the evaluation of management of risks in the portfolio, the current and expected economic circumstances, customer payment trends, credit losses over the previous years, as well as developments in financial credits, industry sectors, business concentrations and geopolitics. Changes in judgment as well as further analyses may lead to changes in the magnitude of an impairment allowance over time.

Determining objective evidence for changes in creditworthiness and determining the magnitude of the recoverable amount form part of the processes that are surrounded by inherent uncertainty and that involve various assumptions and factors regarding the creditworthiness of the lessees/borrowers, expected future cash flows and the value of collateral.

The unusual circumstances due to the COVID-19 pandemic have led to model outcomes that required expert judgment and adjustments. In Europe, governments took measures to contain the COVID-19 virus. In 2020 a separate assessment was made of the ECL for year end, where it was concluded that the various governmental measures taken in Western and Southern Europe had resulted in the link between Q4 macro economic scenarios (MES) and point in time (PIT) parameters being broken implying that the level of stage 1 and 2 provisioning is not adequate as per 31 December 2020.

During 2021 after a successful vaccination campaign in the various countries in which AGCO Finance is active, government financial support packages came largely to an end. The Company foresees that going forward only limited COVID-related defaults will occur, limited to sectors that were particularly affected and/ or still to an extent subject to government measures (the so-called vulnerable sectors).

For these sectors, a top level adjustment was made by: a) moving the exposures to stage 2 (and applying lifetime PD); and b) by applying the stage 3 LGD (coverage ratio of the contracts).

Allowance for Impairment (key estimate)

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 £1,435k (2020: £3,401k).

Critical accounting estimates and judgements

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities, as at the statement of financial position date, and the amounts reported for revenue and expenses during the year. The nature of estimates means that actual outcomes could differ from those estimates. In the Directors' opinion there were no accounting estimates or judgements that could have a significant impact on the Financial Statements

3 Turnover

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

	2021 £k	2020 £k
Turnover		
Finance lease interest income	1,230	1,301
Hire purchase interest income	15,917	15,642
Operating lease income	2,570	2,534
Inventory finance income	2,866	3,328
Other income	1,972	1,633
	24,555	24,438

Turnover analysed by geographical market

	2021 £k	2020 £k
United Kingdom	24,555	24,438

4 Cost of Sales

Included in cost of sales are the following:

	2021 £k	2020 £k
Interest payable on bank overdrafts and loans	5,131	5,891
Other	1,215	1,111
	6,346	7,002

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.

5 Other operating income

	2021 £k	2020 £k
Management fees receivable	491	416

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

6 Operating profit

Operating profit for the year is stated after crediting/(charging):	2021 £k	2020 £k
Exchange gains/(losses)	15	(4)
Depreciation of owned tangible fixed assets	2,143	942
Finance lease charges	3	4

7 Auditors' remuneration

Fees payable to the Company's auditors'	2021 £k	2020 £k
For audit services		
Audit of the Company's financial statements	115	114

There were no non-audit fees paid to the Company's auditors' (2020: £Nil).

8 Employees

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

	2021 Number	2020 Number
Sales	9	9
Admin	28	27
	37	36

8 Employees (Continued)

Their aggregate remuneration comprised:

	2021 £k	2020 £k
Wages and salaries	2,378	2,232
Social security costs	198	212
Other pension costs	204	178
	2,780	2,622

9 Directors' remuneration

	2021 £k	2020 £k
Remuneration for qualifying services	195	175
Company pension contributions to defined contribution schemes	18	18
	213	193

Included in directors' emoluments is an amount attributable to the highest paid director of £195,189(2020: £175,140). The Company's contribution to the individual defined contribution scheme of the highest paid director was £17,851(2020: £17,196) 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.

10 Tax on profit

	2021 £k	2020 £k
Total current tax		
UK Corporation tax on profits for the current year	1,884	2,101
Deferred tax		
Origination and reversal of timing differences	88	142
Total tax charge	1,972	2,243

10 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:

	2021 £k	2020 £k
Profit before taxation	13,725	9,333
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	2,608	1,773
Permanent capital allowances in excess of depreciation	(180)	337
Permanent timing differences	2	(2)
Other permanent differences	3	135
Adjustments in respect of prior periods	(461)	-
Tax expense for the year	1,972	2,243

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 substantively enacted on the 26 October 2015. These include reductions to the main rate to reduce 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. However, in the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). This new law was substantively enacted on 17 March 2020. These changes had been substantively enacted as at 31 December 2020 and, therefore, the effects of these reductions are included in these financial statements. The deferred tax asset at 31 December 2020 has been calculated using a rate of 19% (2019: 17%).

The UK government announced in its 2021 budget an increase in the rate of corporation Tax from 19% to 25% with effect from 1 April 2023. At the balance sheet date, the proposal to increase the rate to 25% had not been substantively enacted, substantive enactment occurred on 24 May 2021, therefore, its effects are not included in these financial statements. The Finance Bill received Royal Assent on 10 June 2021 (becoming Finance Act 2021). However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to reduce the tax expense for the period by £120,000 to increase the deferred tax asset by £120,000

11 Dividends

	2021 £ per share	2020 £ per share	2021 £k	2020 £k
"A" ordinary shares				
Interim paid	1.33	-	4,080	-
"B" ordinary shares				
Interim paid	1.33	-	3,920	-
Total dividends				
Interim paid			8,000	-

No dividends were paid in 2020, and there was no dividends declared after the 2021 payment.

12 Tangible assets

	Fixtures, fittings & equipment £k	Right of Use - Motor vehicles £k	Operating lease agreements £k	Total £k
Cost				
At 1 January 2021	93	160	14,488	14,741
Additions	-	-	4,828	4,828
Disposals	(5)	(16)	(4,066)	(4,087)
At 31 December 2021	88	144	15,250	15,482
Accumulated Depreciation and Impairment				
At 1 January 2021	60	66	1,670	1,796
Depreciation charged in the year	10	34	2,099	2,143
Eliminated in respect of disposals	-	-	(430)	(430)
At 31 December 2021	70	100	3,339	3,509
Carrying amount				
At 31 December 2021	18	44	11,911	11,973
At 31 December 2020	33	94	12,818	12,945

13 Leases

This note provides information for leases where the Company is a lessee. For leases where the Company is a lessor, see note 16.

Amounts recognised in the Statement of financial position

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

	2021 £k	2020 £k
Right-of-use assets		
Vehicles	44	94
Lease liabilities		
Current	34	51
Non-current	12	45
	46	96

Additions to the right-of-use assets during the 2021 financial year were Nil (2020: £39,000)

Amounts recognised in the Statement of comprehensive income

	2021 £k	2020 £k
Depreciation charge of right-of-use assets:		
Vehicles	34	51
Interest expense (included in administration expenses)	3	4
Expenses relating to short term leases (included in administration expenses)	14	18

14 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 analysed below. The following table presents the Company's financial assets and liabilities that are measured at fair value at 31 December 2021 and 31 December 2020:

At 31 December 2021	Carrying value £k	Level 1 £k	Level 2 £k	Level 3 £k
Financial Assets				
Finance lease receivables	359,105	-	-	364,444
Total	359,105	-	-	364,444

At 31 December 2020				
Financial Assets				
Finance lease receivables	340,410	-	-	346,700
Total	340,410	-	-	346,700

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

15 Debtors

Amounts falling due within one year:	2021 £k	2020 £k
Trade debtors	2	1
Amounts due from fellow group undertakings	480	444
Finance leases receivable (note 16)	142,749	133,850
Inventory finance receivable	171,677	172,808
Other debtors	17,565	12,229
Prepayments and accrued income	33	-
	332,506	319,332

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 16)	216,356	206,560
Deferred tax asset (note 23)	723	811
	217,079	207,371
Total debtors	549,585	526,703

16 Finance lease receivables

	2021 £k	2020 £k
Gross amounts receivable under finance leases:		
Within one year	157,067	150,278
Later than one year but not later than five years	227,622	220,988
Later than five years	2,708	2,990
	387,397	374,256
Impairment provision	(1,204)	(2,444)
Unearned finance income	(27,088)	(31,402)
Present value of minimum lease payments receivable	359,105	340,410
The present value is receivable as follows:		
Within one year	142,749	133,850
Later than one year but not later than five years	213,735	203,701
Later than five years	2,621	2,859
	359,105	340,410

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 46 months (2020: 45).

17 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:

		2021	2020
Rabobank Risk Rating	S&P Equivalent	£k	£k
R0-R10	AAA to BBB-	105,572	100,837
R11-R13	BB+ to BB	229,825	169,992
R14-R16	BB- to B+/B	147,566	175,849
R17-R18	B to B-	28,539	39,644
R19-R20	B-/CCC+ to CC	23,790	26,576
		535,292	512,898
Not past due			
<30 days		1,281	3,455
30 to 60 days		853	855
61 to 90 days		416	1,188
> 90 days		140	992
Defaulted		3,270	4,207
		541,252	523,595

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

17 Financial Instruments - Credit Risk (Continued)

	2021 Maximum exposure £k	Collateral coverage %	2020 Maximum exposure £k	Collateral coverage %
Lease receivables	359,105	98.50%	340,410	98.20%

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.

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

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 2021		**Non Credit Impaired**		**Credit Impaired**	
		Subject to 12-month ECL	**Subject to lifetime ECL**	**Subject to lifetime ECL**	**Total gross exposure**
		Stage 1	**Stage 2**	**Stage 3**	
		£k	**£k**	**£k**	**£k**
(Virtually) no risk	R0-R7 Arrears less than or equal to 60 days	20,253	-	-	20,253
Adequate to good	R8-R20 Arrears less than or equal to 60 days	461,774	55,399	-	517,173
Vulnerable	Arrears more than 60 days	-	556	-	556
Defaulted	Impaired	-	-	3,270	3,270
		482,027	55,955	3,270	541,252

At 31 December 2020		**Non Credit Impaired**		**Credit Impaired**	
		Subject to 12-month ECL	**Subject to lifetime ECL**	**Subject to lifetime ECL**	**Total gross exposure**
		Stage 1	**Stage 2**	**Stage 3**	
		£k	**£k**	**£k**	**£k**
(Virtually) no risk	R0-R7 Arrears less than or equal to 60 days	18,583	-	-	18,583
Adequate to good	R8-R20 Arrears less than or equal to 60 days	467,920	30,705	-	498,625
Vulnerable	Arrears more than 60 days	-	2,180	-	2,180
Defaulted	Impaired	-	-	4,207	4,207
		486,503	32,885	4,207	523,595

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

In the following table an overview given of the significant changes in the gross carrying amount of loans and advances to customers during the period that contributed to the changes in the total impairment allowance for 2021.

At 31 December 2021	**Non Credit Impaired**		**Credit impaired**	
	Subject to 12-month ECL	**Subject to lifetime ECL**	**Subject to lifetime ECL**	**Total gross exposure**
	Stage 1	**Stage 2**	**Stage 3**	
	£k	**£k**	**£k**	**£k**
Opening Balance	486,503	32,885	4,207	523,595
New loans and advances	514,663	45,092	1,077	560,832
Loans and advances deregonised	(519,139)	(22,022)	(2,014)	(543,175)
	482,027	55,955	3,270	541,252

At 31 December 2020	**Non Credit Impaired**		**Credit impaired**	
	Subject to 12-month ECL	**Subject to lifetime ECL**	**Subject to lifetime ECL**	**Total gross exposure**
	Stage 1	**Stage 2**	**Stage 3**	
	£k	**£k**	**£k**	**£k**
Opening Balance	425,085	50,594	6,577	482,256
New loans and advances	538,020	9,123	2,909	550,052
Loans and advances deregonised	(476,602)	(26,832)	(5,279)	(507,713)
	486,503	32,885	4,207	523,595

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

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

At 31 December 2021	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	481,180	53,790	-	534,970
<30 days	525	756	-	1,281
30 to 60 days	322	853	-	1,175
61 to 90 days	-	416	-	416
> 90 days	-	140	-	140
Impaired	-	-	3,270	3,270
	482,027	55,955	3,270	541,252

At 31 December 2020	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	483,661	29,237	-	512,898
<30 days	2,842	614	-	3,456
30 to 60 days	-	855	-	855
61 to 90 days	-	1,188	-	1,188
> 90 days	-	991	-	991
Impaired	-	-	4,207	4,207
	486,503	32,885	4,207	523,595

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

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 2021	**Subject to 12-month ECL Stage 1 £k**	**Subject to lifetime ECL Stage 2 £k**	**Subject to lifetime ECL Stage 3 £k**	**Total 2021 £k**
At 1 January	1,027	354	2,020	3,401
Movement in provision	(699)	(61)	(1,206)	(1,966)
Write off	-	-	-	-
At 31 December	328	293	814	1,435

At 31 December 2020	**Subject to 12-month ECL Stage 1 £k**	**Subject to lifetime ECL Stage 2 £k**	**Subject to lifetime ECL Stage 3 £k**	**Total 2020 £k**
At 1 January	341	236	797	1,374
Movement in provision	686	118	1,223	2,027
Write off	-	-	-	-
At 31 December	1,027	354	2,020	3,401

17 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 2021 £k
Lease receivable				
At 1 January 2021	594	351	1,499	2,444
Movement in provision	(370)	(185)	(685)	(1,240)
Write-off	-	-	-	-
At 31 December 2021	224	166	814	1,204
Inventory finance receivable				
At 1 January 2021	433	3	521	957
Movement in provision	(329)	124	(521)	(726)
Write-off	-	-	-	-
At 31 December 2021	104	127	-	231
Total	328	293	814	1,435

	Subject to 12-month ECL Stage 1 £k	Subject to lifetime ECL Stage 2 £k	Subject to lifetime ECL Stage 3 £k	Total 2020 £k
Lease receivable				
At 1 January 2020	78	54	797	929
Movement in provision	516	297	702	1,515
Write-off	-	-	-	-
At 31 December 2020	594	351	1,499	2,444
Inventory finance receivable				
At 1 January 2020	263	182	-	445
Movement in provision	170	(179)	521	512
Write-off	-	-	-	-
At 31 December 2020	433	3	521	957
Total	1,027	354	2,020	3,401

18 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. Loans and interest includes the full amount payable in the future.

	Group payables	Loans and interest	Overdrafts	Trade accruals & other creditors	Lease liabilities	Total
	£k	£k	£k	£k	£k	£k
As at 31 December 2021						
Payable within one year	8,304	254,691	-	11,883	34	274,912
One to < two years	-	114,947	-	-	12	114,959
Two to < five years	-	130,198	-	-	-	130,198
More than five years	-	2,225	-	-	-	2,225
	8,304	502,061	-	11,883	46	522,294
As at 31 December 2020						
Payable within one year	3,064	248,847	-	17,891	51	269,853
One to < two years	-	106,606	-	-	45	106,651
Two to < five years	-	125,553	-	-	-	125,553
More than five years	-	2,564	-	-	-	2,564
	3,064	483,570	-	17,891	96	504,621

19 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.

20 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	2021 £k	2020 £k
Loans and overdrafts	22	243,303	230,433
Lease liabilities		12	45
		243,315	230,478

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

	2021	2020
Payable by instalments	2,208	2,547

The loans over 5 years are payable in instalments at a commercial rate of interest and an average term of 81 months (2020: 82 months).

21 Creditors: amounts falling due within one year

	Note	2021 £k	2020 £k
Loans and overdrafts	22	250,526	244,919
Lease liabilities		34	51
Trade creditors		75	184
Amounts due to group undertakings		8,304	3,064
Corporation tax		(126)	(599)
Other taxation and social security		57	50
Other creditors		2,327	3,207
Accruals and deferred income		9,482	14,500
		270,679	265,376

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

22 Loans and overdrafts

	2021 £k	2020 £k
Loans	493,829	475,352
Payable within one year	250,526	244,919
Payable after one year	243,303	230,433

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

23 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 2021 £k	Assets 2020 £k
Decelerated capital allowances	476	952
Other temporary differences	120	(142)
Revaluations	126	-
	722	810

23 Deferred taxation **(Continued)**

Movements in the year:	Other temporary differences 2021 £k	Decelerated capital allowances 2021 £k	Total 2021 £k	Other temporary differences 2020 £k	Decelerated capital allowances 2020 £k	Total 2020 £k
At beginning of year	454	356	810	176	776	952
Credit/(debit) to income statement	(334)	246	(88)	278	(420)	(142)
At end of year	120	602	722	454	356	810

24 Called up share capital

	2021 £k	2020 £k
Issued and fully paid		
3,060,000 "A" (2020: 3,060,000 "A") ordinary shares of £1 each	3,060	3,060
2,940,000 "B" (2020: 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.

25 Retirement benefit schemes

Defined contribution schemes	2021 £k	2020 £k
Charge to income statement in respect of defined contribution schemes	204	178

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 £204k (2020: £178k).

26 Capital commitments

The Company had no contracted capital commitments at 31 December 2021 (2020: nil)

27 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	
	2021	**2020**	**2021**	**2020**
	£k	**£k**	**£k**	**£k**
Entities with control, joint control or significant influence over the company	5,131	5,891	404,065	358,184
	5,131	5,891	404,065	358,184

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

During the year the Company received nil interest (2020: £0) from Rabobank and fellow subsidiaries.

The Company received administration income of £490,804 (2020: £415,650) from AGCO Finance DAC, a company registered in Ireland, with a similar share ownership. At the year end, an amount of £479,721 (2020: £443,635) 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	
	2021	**2020**
	£k	**£k**
Rabobank and fellow subsidiaries	8,304	3,064
	8,304	3,064

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 28).
(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.

28 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.

29 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.

30 Cash absorbed by operations

	2021	2020
	£k	£k
Profit before tax	13,725	9,333
Adjustments for:		
Operating lease depreciation	2,143	942
(Decrease)/increase in provisions	(1,966)	2,026
Movements in working capital:		
Increase in debtors	(21,000)	(38,781)
(Decrease)/increase in creditors	(809)	3,775
Cash absorbed by operations	(7,907)	(22,705)