Company Registration No. 2521081 (England and Wales)

# AGCO FINANCE LIMITED

# ANNUAL REPORT AND FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 DECEMBER 2016

# AGCO FINANCE LIMITED

## COMPANY INFORMATION

| | |
|---|---|
| **Directors** | Mr S Jones<br>Mr D Hullis<br>Mr M Casement |
| **Secretary** | Mrs J Kortz |
| **Company number** | 2521081 |
| **Registered office** | Building 7<br>Croxley Green Business Park<br>Watford<br>Hertfordshire<br>United Kingdom<br>WD18 8YN |
| **Independent Auditors** | PricewaterhouseCoopers LLP<br>Cornwall Court<br>19 Cornwall Street<br>Birmingham<br>B3 2DT |
| **Bankers** | National Westminster Bank<br>24 Broadgate<br>Coventry<br>CV1 1ZZ |

# AGCO FINANCE LIMITED

## CONTENTS

# AGCO FINANCE LIMITED

## STRATEGIC REPORT

## *FOR THE YEAR ENDED 31 DECEMBER 2016*

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

**Principal Activities**

The Company principal activity is leasing and providing short term finance to the dealer network of AGCO Limited. No change in activities is planned. The Company is a private company that is registered and incorporated in the England, United Kingdom.

**Review of the business**

The Company represents a joint venture between its two shareholders, AGCO International Limited and De Lage Landen Leasing Limited.

The Company's main objective is to maximise the return to its shareholders whilst providing the highest level of service to AGCO's dealer network and customer base.

The Company provides two principal services:

- Wholesale finance - providing short-term inventory finance to AGCO's dealer network
- Retail finance - providing hire purchase and other leasing products to AGCO's customers

The results for the year are set on page 7 and the Company's financial position is set out in the Balance sheet on page 9.

**Principal Risks and Uncertainties**

**Credit Risk**

The agricultural equipment market in the UK is stable and has not historically been subject to significant fluctuations. Not withstanding this, the Company's success is dependent on the financial strength of its customers and their ability to respond to changes in the market. If customers experience financial difficulties, this may result in repayment defaults, rescheduling or early terminations of agreements.

This risk is mitigated by having a broad spectrum of customers, pre-acceptance credit checks, active review and management of portfolio arrears, and beyond this a very active used machinery market as all lending is secured against underlying assets.

**Liquidity Risk**

Liquidity risk is the risk of the business not being able to convert a security or hard asset into cash quickly. 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 the primary source of funding and is available to fund any cash shortfalls arising.

**Political Risk and Brexit**

On 23rd June 2016 the UK voted in a referendum to leave the EU, so-called "Brexit". Management do not envisage that Brexit will impact on the Company's ability to trade as a going concern.

To date there has been no short term impact on volumes and/or arrears levels. The UK government has confirmed that the existing level of agricultural funding under CAP Pillar 1 will be maintained until 2020, as part of the transition to non-EU arrangements. Subsidies and free-trade access are important to the farming sector and as such management will continue to monitor and assess the medium/long term impact of Brexit on the Company's customer base.

**Interest Rate Risk**

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

**Performance**
Performance for the year exceeded budget expectations by 6%, mainly due to lower operating costs and higher volumes. Profit for the financial year was £6.6million (2015: £7million).

The Directors consider that the Company's financial position at the end of the year will enable it to continue to achieve its objectives in 2017 and beyond.

**Key Performance Indicators**
The key performance indicators ("KPIs") of the Company are new business volume, new business margin, interest margin and risk cost as a percentage of income.

New business volumes were above budget in 2016 and have remained strong in the first period of 2017.

The retail portfolio (classified in the financial statements as "Finance lease receivable") decreased from £256million to £247million during 2016 in line with the slight softening of industry volumes in 2015 and before.

The commercial finance portfolio increased to £104million during 2016 reflecting overall dealer confidence in the market at the end of the year.

On behalf of the board

Mr S Jones
**Director**
19 July 2017

# AGCO FINANCE LIMITED

## DIRECTORS' REPORT

### *FOR THE YEAR ENDED 31 DECEMBER 2016*

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

**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 7.

An interim dividend was paid of £7million (2015: £6.6million). The directors do not recommend payment of a final dividend.

**Financial instruments**

***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**

In regard to Brexit, on 29th March 2017 Article 50 was triggered by the UK government. This means the start of a two year process of negotiations with the EU for the UK. At the end of the two year period in March 2019 the UK will leave the EU.

**Future developments**

Future developments in the Company may include introduction of an operating lease product but it is anticipated this will be on a small scale and not have a significant impact on the rest of the business.

**Independent Auditors'**

PricewaterhouseCoopers LLP have replaced KPMG LLP as auditors from 1 January 2016.

On behalf of the board

Mr S Jones
**Director**
19 July 2017

## DIRECTORS' RESPONSIBILITIES STATEMENT

### *FOR THE YEAR ENDED 31 DECEMBER 2016*

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 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.

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.

**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

# AGCO FINANCE LIMITED

## INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF AGCO FINANCE LIMITED

**Our opinion**
In our opinion, AGCO Finance Limited's the financial statements (the "financial statements"):
:
- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit and cashflows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**What we have audited**
The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the statement of financial position as at 31 December 2016;
- the income statement and statement of comprehensive income for the year then ended;
- the statement of cash flows for the year then ended;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework". and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

**Opinion on other matters prescribed by the Companies Act 2006**
In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements, and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.

**Other matters on which we are required to report by exception**

**Adequacy of accounting records and information and explanations received**
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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

**Directors' remuneration**
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

**Responsibilities for the financial statements and the audit**

**Our responsibilities and those of the directors**
As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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.

**What an audit of financial statements involves**
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.

Andrew Batty

**Andrew Batty (Senior Statutory Auditor)**
**for and on behalf of PricewaterhouseCoopers LLP**
**Chartered Accountants and Statutory Auditors**
**Birmingham**
**19 July 2017**

# AGCO FINANCE LIMITED

## INCOME STATEMENT

### *FOR THE YEAR ENDED 31 DECEMBER 2016*

| | Notes | 2016 £k | 2015 £k |
|---|---|---|---|
| Turnover | 3 | 17,154 | 18,475 |
| Cost of sales | 4 | (5,957) | (6,428) |
| **Gross profit** | | 11,197 | 12,047 |
| Administrative expenses | | (3,963) | (4,178) |
| Other operating income | 5 | 869 | 662 |
| **Operating profit** | 6 | 8,103 | 8,531 |
| Interest receivable and similar income | 10 | 323 | 347 |
| **Profit on ordinary activities before taxation** | | 8,426 | 8,878 |
| Tax on profit on ordinary activities | 11 | (1,799) | (1,834) |
| **Profit for the financial year** | | 6,627 | 7,044 |

The notes on pages 12 to 34 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 2016*

| | 2016<br>£k | 2015<br>£k |
|---|---|---|
| **Profit for the financial year** | 6,627 | 7,044 |
| **Other comprehensive income** | - | - |
| **Total comprehensive income for the year** | 6,627 | 7,044 |

# AGCO FINANCE LIMITED

## STATEMENT OF FINANCIAL POSITION

***AS AT 31 DECEMBER 2016***

| | | 2016 | | 2015 | |
|---|---|---|---|---|---|
| | **Notes** | **£k** | **£k** | **£k** | **£k** |
| **Current assets** | | | | | |
| Debtors falling due after one year | **14** | 154,104 | | 162,682 | |
| Debtors falling due within one year | **14** | 213,735 | | 192,498 | |
| Cash at bank and in hand | | 1,117 | | 93 | |
| | | 368,956 | | 355,273 | |
| **Creditors: amounts falling due within one year** | **20** | (175,657) | | (136,755) | |
| Net current assets | | | 193,299 | | 218,518 |
| ***Creditors: amounts falling due after* more than one year** | **19** | | (164,081) | | (188,927) |
| **Net assets** | | | 29,218 | | 29,591 |
| **Capital and reserves** | | | | | |
| Called up share capital | **23** | | 6,000 | | 6,000 |
| Profit and loss account | | | 23,218 | | 23,591 |
| **Total equity** | | | 29,218 | | 29,591 |

The notes on pages 12 to 34 are an integral part of these financial statements

The financial statements on pages 7 to 34 were approved by the board of directors and authorised for issue on 19 July 2017 and are signed on its behalf by:

Mr S Jones
**Director**
19 July 2017

**Company Registration No. 2521081**

# AGCO FINANCE LIMITED

## STATEMENT OF CHANGES IN EQUITY

*FOR THE YEAR ENDED 31 DECEMBER 2016*

| | Notes | Called up share capital £k | Profit and loss account £k | Total Equity £k |
|---|---|---|---|---|
| **Balance at 1 January 2015** | | 6,000 | 23,147 | 29,147 |
| Profit for the financial year | | - | 7,044 | 7,044 |
| Total comprehensive income for the year | | - | 7,044 | 7,044 |
| Dividends paid | 12 | - | (6,600) | (6,600) |
| **Balance at 31 December 2015 and at 1 January 2016** | | 6,000 | 23,591 | 29,591 |
| Profit for the financial year | | - | 6,627 | 6,627 |
| Total comprehensive income for the year | | - | 6,627 | 6,627 |
| Dividends paid | 12 | - | (7,000) | (7,000) |
| **Balance at 31 December 2016** | | 6,000 | 23,218 | 29,218 |

The notes on pages 12 to 34 are an integral part of these financial statements

# AGCO FINANCE LIMITED

## STATEMENT OF CASH FLOWS

### *FOR THE YEAR ENDED 31 DECEMBER 2016*

| | Notes | 2016 £k | 2016 £k | 2015 £k | 2015 £k |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| Cash (absorbed by)/generated from operations | 31 | | (2,592) | | 21,693 |
| Income taxes paid | | | (2,021) | | (2,178) |
| ***Net cash (outflow)/inflow from operating activities*** | | | (4,613) | | 19,515 |
| **Investing activities** | | | | | |
| Interest received | | 323 | | 347 | |
| **Net cash generated from investing activities** | | | 323 | | 347 |
| **Cash flows from financing activities** | | | | | |
| Withdrawal/(Repayment) of loans | | 10,188 | | (13,219) | |
| Dividends paid | | (7,000) | | (6,600) | |
| **Net cash generated from/(used in) financing activities** | | | 3,188 | | (19,819) |
| **Net (decrease)/increase in cash and cash equivalents** | | | (1,102) | | 43 |
| Cash and cash equivalents at beginning of year | | | (953) | | (996) |
| **Cash and cash equivalents at end of year** | | | (2,055) | | (953) |
| **Relating to:** | | | | | |
| Cash at bank and in hand | | | 1,117 | | 93 |
| Bank overdrafts included in creditors payable within one year | | | (3,172) | | (1,046) |

The notes on pages 12 to 34 are an integral part of these financial statements

### 1 Accounting policies

**Company information**
AGCO Finance Limited is a company limited by shares incorporated in England and Wales. The registered office is Building 7, Croxley Green Business Park, 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.

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

The financial statements are prepared on the historical cost basis. Non-current assets are stated at the lower of previous carrying amount and fair value less costs to sell.

Accounting policies have been applied consistently and on a historical cost basis.

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of De Lage Landen International BV in which the entity is consolidated;
- the requirements of paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations;
- 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 (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 and 111 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 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 29.

### 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. 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, 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.

Inventory finance income is recognised when display charges for stock financing are incurred in accordance with the contracted agreement with the dealer.

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 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 profit or loss. 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.

**1.5 Cash and cash equivalents**

Cash and cash equivalents are basic financial assets and include cash in hand, 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)**

**1.6 Financial instruments**

**Classification of financial instruments issued by the Company**

Following the adoption of FRS101, 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.

***Basic financial assets***

**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, other than those classified as fair value through profit and loss, which are measured at fair value.

***Debtors***

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

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.

***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***
A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment an impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Company would receive for the asset if it were to be sold at the reporting date. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

**Financial liabilities**
Financial liabilities are classified as either financial liabilities at fair value through profit or loss 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.

**1.7 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 balance sheet date, and any adjustment to tax payable in respect of previous years.

Taxable profit differs from net profit as reported in the profit and loss account 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.

**1 Accounting policies** **(Continued)**

***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 balance sheet date

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.

**1.8 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.

**1.9 Retirement benefits**

Obligations for contributions to defined contribution pension plans are recognised as an expense in the profit and loss account in the periods during which services are rendered by the employees.

**1.10 Leases**

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

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, are 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.

**1.11 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 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

**Critical judgements**

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

***Impairment losses on loans and advances***

Provisions are held for impairment losses against receivables on an individual and collective basis. Provisions are calculated using historic loss experience as well as external indicators.

However a number of assumptions are required such as estimated resale value, current market for tractors, the customer likelihood of paying based on payment history and credit risk, and merchandising issues. The carrying value of impairment provisions is £1,216,933 (2015: £1,419,637).

## 3 Turnover

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

| | 2016 £k | Restated 2015 £k |
|---|---|---|
| **Turnover** | | |
| Finance lease interest income | 1,575 | 1,756 |
| Hire purchase interest income | 12,778 | 13,541 |
| Operating lease income | - | 5 |
| Inventory finance income | 1,617 | 1,880 |
| Other income | 1,184 | 1,293 |
| | 17,154 | 18,475 |

**Turnover analysed by geographical market**

| | 2016 £k | 2015 £k |
|---|---|---|
| United Kingdom | 17,154 | 18,475 |

Other operating income (see note 5) has been reclassified from turnover.

## 4 Cost of Sales

Included in cost of sales are the following:

| | 2016 £k | 2015 £k |
|---|---|---|
| Interest payable on bank overdrafts and loans | 5,144 | 5,464 |

The interest payable on bank loans and overdrafts above principally relates to payments to the ultimate parent undertaking.

## 5 Other operating income

| | 2016 £k | 2015 £k |
|---|---|---|
| **Other operating income** | 869 | 662 |

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 charging/(crediting): | 2016 £k | 2015 £k |
|---|---|---|
| Exchange (gains)/ losses | (37) | 6 |
| Depreciation of owned tangible fixed assets | - | 22 |
| Operating lease charges | 80 | 74 |

## 7 Auditors' remuneration

| Fees payable to the company's auditors' | 2016 £k | 2015 £k |
|---|---|---|
| **For audit services** | | |
| Audit of the company's financial statements | 33 | 36 |

There were no non-audit fees paid to the Company's auditors'.

## 8 Employees

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

| | 2016 Number | 2015 Number |
|---|---|---|
| Sales | 10 | 13 |
| Admin | 25 | 21 |
| | 35 | 34 |

*Their aggregate remuneration comprised:*

| | 2016 £k | 2015 £k |
|---|---|---|
| Wages and salaries | 1,959 | 1,896 |
| Social security costs | 157 | 146 |
| Other pension costs | 172 | 155 |
| | 2,288 | 2,197 |

## 9 Directors' remuneration

| | 2016 £k | 2015 £k |
|---|---|---|
| Remuneration for qualifying services | 159 | 178 |
| Company pension contributions to defined contribution schemes | 15 | 17 |
| | 174 | 195 |

Included in directors' emoluments is an amount attributable to the highest paid director of £157,089 (2015: £102,093). The Company's contribution to the individual defined contribution scheme of the highest paid director was £14,533 (2015: £6,362) during the current year.

## 10 Interest receivable and similar income

| | 2016 £k | 2015 £k |
|---|---|---|
| **Interest income** | | |
| Interest receivable from group companies | 323 | 347 |

## 11 Taxation

| | 2016 £k | 2015 £k |
|---|---|---|
| **Current tax** | | |
| UK corporation tax on profits for the current period | 1,844 | 1,790 |
| Adjustments in respect of prior periods | - | (8) |
| Total current tax | 1,844 | 1,782 |
| **Deferred tax** | | |
| Origination and reversal of timing differences | (45) | 52 |
| Total tax charge | 1,799 | 1,834 |

*The actual charge for the year can be reconciled to the expected charge for the year based on the profit or* loss and the standard rate of tax as follows:

| | 2016 £k | 2015 £k |
|---|---|---|
| Profit before taxation | 8,426 | 8,878 |
| Expected tax charge based on the standard rate of corporation tax in the UK of 20.00% (2015: 20.25%) | 1,685 | 1,798 |
| Adjustments in respect of prior years | - | (8) |
| Effect of reduction in corporation tax rate on deferred tax | 109 | 47 |
| Permanent timing differences | (2) | (3) |
| Other permanent differences | 7 | - |
| Tax expense for the year | 1,799 | 1,834 |

*Factors that may affect future current and total tax charges*

The Finance Act 2014 included legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and to 20% from 1 April 2015. 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. These changes were substantially enacted as at 31 December 2016 and therefore the effects of these reductions are included in these financial statements. The deferred tax asset at 31 December 2016 has been calculated based using a rate of 17%.

## 12 Dividends

| | 2016<br>£ per share | 2015<br>£ per share | 2016<br>£k | 2015<br>£k |
|---|---|---|---|---|
| **"A" ordinary shares** | | | | |
| Interim paid | 1.17 | 1.10 | 3,570 | 3,366 |
| **"B" ordinary shares** | | | | |
| Interim paid | 1.17 | 1.10 | 3,430 | 3,234 |
| **Total dividends** | | | | |
| Interim paid | | | 7,000 | 6,600 |

## 13 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 2016.

| At 31 December 2016 | Carrying value £k | Level 1 £k | Level 2 £k | Level 3 £k |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Finance lease receivables | 247,293 | | | 248,092 |
| Inventory finance receivables | 103,607 | | | 103,607 |
| Total | 350,900 | - | - | 351,699 |

| At 31 December 2015 | Carrying value £k | Level 1 £k | Level 2 £k | Level 3 £k |
|---|---|---|---|---|
| **Financial Assets** | | | | |
| Finance lease receivables | 255,882 | | | 255,073 |
| Inventory finance receivables | 77,641 | | | 77,641 |
| Total | 333,523 | - | - | 332,714 |

The fair value of finance lease receivables is calculated by discounting future minimum lease receivables using appropriate current interest rates. There is no difference between the carrying value and fair value for finance lease receivables.

## 14 Debtors

| | 2016 | 2015 |
|---|---|---|
| **Amounts falling due within one year:** | **£k** | **£k** |
| Trade debtors | 4 | - |
| Amount due from parent undertaking | 2,865 | 6,020 |
| Amounts due from fellow group undertakings | 905 | 670 |
| Finance leases receivable | 94,120 | 99,716 |
| Inventory finance receivable | 103,607 | 77,641 |
| Other debtors | 12,187 | 8,408 |
| Prepayments and accrued income | 47 | 43 |
| | 213,735 | 192,498 |
| **Amounts falling due after one year:** | | |
| Amount due from parent undertaking | - | 5,630 |
| Finance leases receivable | 153,173 | 156,166 |
| | 153,173 | 161,796 |
| Deferred tax asset (note 22) | 931 | 886 |
| | 154,104 | 162,682 |
| **Total debtors** | 367,839 | 355,180 |

## 15 Finance lease receivables

| | 2016 £k | 2015 £k |
|---|---|---|
| Gross amounts receivable under finance leases: | | |
| Within one year | 118,740 | 123,512 |
| Later than one year but not later than five years | 152,816 | 156,302 |
| Later than five years | 1,175 | 1,166 |
| | 272,731 | 280,980 |
| Impairment provision | (908) | (1,159) |
| Unearned finance income | (24,530) | (23,939) |
| Present value of minimum lease payments receivable | 247,293 | 255,882 |
| The present value is receivable as follows: | | |
| Within one year | 94,120 | 99,716 |
| Later than one year but not later than five years | 152,051 | 155,034 |
| Later than five years | 1,122 | 1,132 |
| | 247,293 | 255,882 |

**Analysis of finance leases**

The fair value of finance lease receivables is not considered to be significantly different from the carrying value (see note 13)

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 44 months (2015: 43).

## 16 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 balance sheet 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.

No collateral is held in respect of finance lease receivables, although as title to the underlying assets remain with the lessor, these assets would be recoverable in case of default and it is anticipated that the sales proceeds would cover any shortfall in the amounts recovered from the lessee.

The ageing of the specific impairment provision at the balance sheet date is as follows:

| | 2016 Gross Impaired | 2016 Provision | 2015 Gross Impaired | 2015 Provision |
|---|---|---|---|---|
| | £k | £k | £k | £k |
| 0-30 days | 753 | 414 | 1,593 | 543 |
| 30-120 days | 535 | 254 | 1,077 | 271 |
| More than 120 days | 527 | 410 | 864 | 443 |
| | 1,815 | 1,078 | 3,534 | 1,257 |

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

The ageing of debt past due but not impaired at the balance sheet is as follows:

| | 2016 Past Due £k | 2015 Past Due £k |
|---|---|---|
| 0-30 days | 857 | 1,698 |
| 30-120 days | 333 | 828 |
| More than 120 days | 150 | 58 |
| | 1,340 | 2,584 |

*The credit quality of debt not past due and not impaired is as follows:*

| Rabobank Risk Rating | S&P Equivalent | 2016 £k | 2015 £k |
|---|---|---|---|
| R0-R10 | AAA to BBB- | 53,118 | 50,826 |
| R11-R13 | BB+ to BB | 134,628 | 132,426 |
| R14-R16 | BB- to B+/B | 112,200 | 115,635 |
| R17-R18 | B to B- | 32,679 | 16,586 |
| R19-R20 | B-/CCC+ to CC | 15,120 | 11,933 |
| | | 347,745 | 327,406 |

**Impairment Provisions**

| | Hire purchase agreements £k | Finance lease agreements £k | Inventory finance £k | Collective £k | Total £k |
|---|---|---|---|---|---|
| At 1 January 2015 | 591 | 138 | 252 | 171 | 1,152 |
| Increase in provision | 1,210 | 362 | 106 | - | 1,678 |
| Decrease in provision | (810) | (180) | (30) | (8) | (1,028) |
| Write off | (277) | (38) | (67) | - | (382) |
| At 31 December 2015 | 714 | 282 | 261 | 163 | 1,420 |
| At 1 January 2016 | 714 | 282 | 261 | 163 | 1,420 |
| Increase in provision | 855 | 652 | 49 | - | 1,556 |
| Decrease in provision | (790) | (659) | - | (24) | (1,473) |
| Write off | (285) | - | (1) | - | (286) |
| At 31 December 2016 | 494 | 275 | 309 | 139 | 1,217 |

## 17 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 financial liabilities at the balance sheet date.

| | Group payables | Loans | Overdrafts | Trade and other creditors | Total |
|---|---|---|---|---|---|
| | £k | £k | £k | £k | £k |
| As at 31 December 2015 | | | | | |
| Payable within one year | 5 | 133,396 | 1,046 | 505 | 134,952 |
| One to < two years | - | 88,560 | - | - | 88,560 |
| Two to < five years | - | 99,267 | - | - | 99,267 |
| More than five years | - | 1,100 | - | - | 1,100 |
| | 5 | 322,323 | 1,046 | 505 | 323,879 |
| As at 31 December 2016 | | | | | |
| Payable within one year | 1,885 | 168,430 | 3,172 | 489 | 173,976 |
| One to < two years | - | 81,931 | - | - | 81,931 |
| Two to < five years | - | 81,100 | - | - | 81,100 |
| More than five years | - | 1,050 | - | - | 1,050 |
| | 1,885 | 332,511 | 3,172 | 489 | 338,057 |

### 18 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.

### 19 Creditors: amounts falling due after more than one year

| | Notes | 2016 £k | 2015 £k |
|---|---|---|---|
| Loans and overdrafts | 21 | 164,081 | 188,927 |

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

| | | 2016 £k | 2015 £k |
|---|---|---|---|
| Payable by instalments | | 1,050 | 1,100 |

The loans over 5 years are payable in instalments at a commercial rate of interest and an average term of 71 months (2015: 71 months).

### 20 Creditors: amounts falling due within one year

| | Notes | 2016 £k | 2015 £k |
|---|---|---|---|
| Loans and overdrafts | 21 | 171,602 | 134,442 |
| Trade creditors | | 39 | 60 |
| Amounts due to group undertakings | | 1,913 | 5 |
| Corporation tax | | 459 | 636 |
| Other taxation and social security | | 43 | 42 |
| Other creditors | | 422 | 445 |
| Accruals and deferred income | | 1,179 | 1,125 |
| | | 175,657 | 136,755 |

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

## 21 Loans and overdrafts

| | 2016 £k | 2015 £k |
|---|---|---|
| Loans | 332,511 | 322,323 |
| Bank overdrafts | 3,172 | 1,046 |
| | 335,683 | 323,369 |
| Payable within one year | 171,602 | 134,442 |
| Payable after one year | 164,081 | 188,927 |

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

## 22 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 2016 £k | Assets 2015 £k |
|---|---|---|
| Decelerated capital allowances | 808 | 752 |
| Other temporary differences | 123 | 134 |
| | 931 | 886 |

| **Movements in the year:** | Other temporary differences £k | Decelerated capital allowances £k | Total £k |
|---|---|---|---|
| Asset at 1 January 2016 | 134 | 752 | 886 |
| Credit to profit or loss | (11) | 56 | 45 |
| Asset at 31 December 2016 | 123 | 808 | 931 |

## 23 Called up share capital

| | 2016 £k | 2015 £k |
|---|---|---|
| **Ordinary share capital** | | |
| **Authorised** | | |
| "A" ordinary shares of £1 each | 5,100 | 5,100 |
| "B" ordinary shares of £1 each | 4,900 | 4,900 |
| | 10,000 | 10,000 |
| **Issued and fully paid** | | |
| 3,060,000 "A" ordinary shares of £1 each | 3,060 | 3,060 |
| 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.

## 24 Retirement benefit schemes

| **Defined contribution schemes** | 2016 £k | 2015 £k |
|---|---|---|
| Charge to profit or loss in respect of defined contribution schemes | 172 | 155 |

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 profit and loss account in the same period.

The charge to profit and loss in respect of defined contribution schemes was £171,929 (2015: £154,601).

## 25 Operating lease commitments

**Lessee**

Operating lease payments represent rentals payable by the Company for company cars. Generally leases are for a period of 36 months.

At the reporting end date the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2016 £k | 2015 £k |
|---|---|---|
| Not later than one year | 10 | 15 |
| Later than one year and not later than five years | 42 | 55 |
| | 52 | 70 |

**Lessor**

The company held no operating leases as a lessor during the year (2015: Nil).

## 26 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 | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| | £k | £k | £k | £k |
| Entities with control, joint control or significant influence over the company | 5,144 | 5,464 | 289,799 | 249,630 |
| | 5,144 | 5,464 | 289,799 | 249,630 |

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

During the year the Company received interest of £322,787 (2015: £347,325) from Rabobank and fellow subsidiaries.

The Company received administration income of £869,057 (2015:£662,035) from AGCO Finance DAC, a company registered in Ireland, with a similar share ownership. At the year end, an amount of £905,244 (2015: £670,396) 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 | |
|---|---|---|
| | 2016 | 2015 |
| | £k | £k |
| Rabobank and fellow subsidiaries | 1,913 | 5 |
| | 1,913 | 5 |

*The Company also has amounts outstanding on loans due to DLL (see note 21).*

**26 Related party transactions** **(Continued)**

The following amounts were outstanding at the reporting end date:

| | Amounts owed by related parties | |
|---|---|---|
| | **2016** | **2015** |
| | **£k** | **£k** |
| Rabobank and fellow subsidiaries | 2,865 | 11,650 |
| | 2,865 | 11,650 |

(a) Rabobank is the trading name of the ultimate parent company (see note 29).
(b) AGCO Limited is a subsidiary undertaking of AGCO International Limited. At 31 December 2016, AGCO International Limited held "B" ordinary shares representing its aggregate 49% of the total issued share capital of the Company.

## 27 Capital commitments

The Company had no contracted capital commitments at 31 December 2016 or 31 December 2015.

## 28 Events after the reporting date

There have been no events since the balance sheet date which necessitate the revision of the financial statements.

In regard to Brexit, on 29th March 2017 Article 50 was triggered by the UK government. This means the start of a two year process of negotiations with the EU for the UK. At the end of the two year period in March 2019 the UK will leave the EU.

## 29 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.

## 30 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.

## 31 Cash generated from operations

| | 2016<br>£k | 2015<br>£k |
|---|---|---|
| Profit for the financial year before tax | 8,426 | 8,878 |
| **Adjustments for:** | | |
| Investment income | (323) | (347) |
| Depreciation and impairment of tangible fixed assets | - | 22 |
| (Decrease)/increase in provisions | (203) | 267 |
| **Movements in working capital:** | | |
| (Increase)/decrease in debtors | (12,411) | 13,183 |
| Increase/(decrease) in creditors | 1,919 | (310) |
| **Cash (absorbed by)/generated from operations** | (2,592) | 21,693 |