Company Registration No. 2521081 (England and Wales)

AGCO FINANCE LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

AGCO FINANCE LIMITED

COMPANY INFORMATION

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

AGCO FINANCE LIMITED

CONTENTS

AGCO FINANCE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present the strategic report and financial statements for the year ended 31 December 2017.

Principal activities
The principal activity of the Company is the provision of equipment finance solutions to 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 activities planned.

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

The Directors consider that performance in 2017 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 8 and the Company's financial position is set out in the statement of financial position on page 10

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.

Political Risk and Brexit
There is currently a high level of uncertainty regarding the impact of Brexit and changes in government farm subsidy on the UK agricultural sector. To date business levels have not been adversely impacted as a result of these uncertainties.

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

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

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 £247million in 2016 to £262million at the end of 2017.

Profit for the financial year was £6.2million (2016: £6.6million), down on prior year largely due mainly to non-recurring investment in IT systems.

Key Performance Indicators

The Directors use certain financial key performance indicators ("KPIs") to monitor and assess the performance of the Company. 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.

The principal KPIs feature in the income statement and statement of financial position as presented on pages 8 and 10 respectively. Ongoing review of business performance is carried out by comparing actual performance against annually set budgets.

On behalf of the board

Mr S Jones
Director
27 July 2018

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and audited financial statements for the year ended 31 December 2017.

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 8.

An interim dividend was paid of £5million (2016: £7million). 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
There have been no events since the balance sheet date to necessitate the revision of the financial statements.

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

Independent Auditors'
Pricewaterhouse Coopers served as the auditors throughout the year.

On behalf of the board

Mr S Jones
Director
27 July 2018

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

INDEPENDENT AUDITOR'S 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 2017 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2017; the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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

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

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

Reporting on other information

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

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.

INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE MEMBERS OF AGCO FINANCE LIMITED

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

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

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 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 Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Andrew Batty (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham
27 July 2018

AGCO FINANCE LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £k	2016 £k
Turnover	3	17,342	17,154
Cost of sales	4	(5,696)	(5,957)
Gross profit		11,646	11,197
Administrative expenses		(4,630)	(3,963)
Other operating income	5	652	869
Operating profit	6	7,668	8,103
Interest receivable and similar income	10	36	323
Profit before taxation		7,704	8,426
Tax on profit	11	(1,501)	(1,799)
Profit for the financial year		6,203	6,627

The notes on pages 13 to 35 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 2017

	2017 £k	2016 £k
Profit for the financial year	6,203	6,627
Other comprehensive income	-	-
Total comprehensive income for the year	6,203	6,627

AGCO FINANCE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2017

	Notes	2017 £k	2017 £k	2016 £k	2016 £k
Fixed assets					
Tangible assets	**13**		1,947		-
Current assets					
Debtors falling due after one year	**15**	157,022		154,104	
Debtors falling due within one year	**15**	243,682		213,735	
Cash at bank and in hand		1,609		1,117	
		402,313		368,956	
Creditors: amounts falling due within one year	**21**	(201,832)		(175,657)	
Net current assets			200,481		193,299
Total assets less current liabilities			202,428		193,299
Creditors: amounts falling due after more than one year	**20**		(172,007)		(164,081)
Net assets			30,421		29,218
Capital and reserves					
Called up share capital	**24**		6,000		6,000
Profit and loss account			24,421		23,218
Total equity			30,421		29,218

The notes on pages 13 to 35 are an integral part of these financial statements

The financial statements on pages 8 to 35 were approved by the board of directors and authorised for issue on 27 July 2018 and are signed on its behalf by:

Mr S Jones
Director
27 July 2018

Company Registration No. 2521081

AGCO FINANCE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	Called up share capital £k	Profit and loss account £k	Total Equity £k
Balance 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 and at 1 January 2017		6,000	23,218	29,218
Profit for the financial year		-	6,203	6,203
Total comprehensive income for the year		-	6,203	6,203
Dividends paid	**12**	-	(5,000)	(5,000)
Balance at 31 December 2017		6,000	24,421	30,421

The notes on pages 13 to 35 are an integral part of these financial statements

AGCO FINANCE LIMITED

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Notes	2017 £k	2017 £k	2016 £k	2016 £k
Cash flows from operating activities					
Cash absorbed by operations	32		(22,557)		(2,592)
Income taxes paid			(1,382)		(2,021)
Net cash outflow from operating activities			(23,939)		(4,613)
Investing activities					
Purchase of tangible fixed assets		(2,187)		-	
Interest received		36		323	
Net cash (used in)/generated from investing activities			(2,151)		323
Cash flows from financing activities					
Drawdown of loans		30,096		10,188	
Dividends paid		(5,000)		(7,000)	
Net cash generated from financing activities			25,096		3,188
Net decrease in cash and cash equivalents			(994)		(1,102)
Cash and cash equivalents at beginning of year			(2,055)		(953)
Cash and cash equivalents at end of year			(3,049)		(2,055)
Relating to:					
Cash at bank and in hand			1,609		1,117
Bank overdrafts included in creditors payable within one year (note 22)			(4,658)		(3,172)

The notes on pages 13 to 35 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 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 and in accordance with the Companies Act 2006. Fixed 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 presentation of comparative information in respect of certain assets, standards not yet effective and impairment of assets. Specifically the Company has taken advantage of the following exemptions:

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

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

1.2 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. 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 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 Tangible fixed assets

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

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

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

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

1.5 Impairment of non-financial assets

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

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

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

1 Accounting policies **(Continued)**

1.6 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.

1.7 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 the income statement, 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 the income statement 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 the income statement.

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.

1.8 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.

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 statement of financial position 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.

1.9 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.

1.11 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.

1.12 Foreign exchange

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

2 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 finance lease and inventory finance receivables

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 £1,485,675 (2016: £1,216,933).

3 Turnover

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

	2017 £k	2016 £k
Turnover		
Finance lease interest income	1,316	1,575
Hire purchase interest income	12,516	12,778
Operating lease income	271	-
Inventory finance income	1,943	1,617
Other income	1,296	1,184
	17,342	17,154

Turnover analysed by geographical market

	2017 £k	2016 £k
United Kingdom	17,342	17,154

4 Cost of Sales

Included in cost of sales are the following:

	2017 £k	2016 £k
Interest payable on bank overdrafts and loans	4,751	5,144
Other	945	813
	5,696	5,957

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

	2017 £k	2016 £k
Management fees receivable	652	869

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):	2017 £k	2016 £k
Exchange gains	(7)	(37)
Depreciation of owned tangible fixed assets	240	-
Operating lease charges	63	80

7 Auditors' remuneration

Fees payable to the Company's auditors'	2017 £k	2016 £k
For audit services		
Audit of the Company's financial statements	74	33

There were no non-audit fees paid to the Company's auditors' (2016:£Nil).

8 Employees

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

	2017 Number	2016 Number
Sales	10	10
Admin	25	25
	35	35

Their aggregate remuneration comprised:

	2017 £k	2016 £k
Wages and salaries	2,044	1,959
Social security costs	158	157
Other pension costs	196	172
	2,398	2,288

9 Directors' remuneration

	2017 £k	2016 £k
Remuneration for qualifying services	162	159
Company pension contributions to defined contribution schemes	16	15
	178	174

Included in directors' emoluments is an amount attributable to the highest paid director of £162,173 (2016: £157,089). The Company's contribution to the individual defined contribution scheme of the highest paid director was £15,794 (2016: £14,533) during the current year. Other directors did not receive any emoluments for services provided to the Company. All directors were employed by and received all emoluments from either AGCO UK Limited or DLL UK Limited. 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 Interest receivable and similar income

	2017 £k	2016 £k
Interest income		
Interest receivable from group companies	36	323

11 Tax on profit

	2017 £k	2016 £k
Current tax		
UK Corporation tax on profits for the current year	1,603	1,844
Deferred tax		
Origination and reversal of timing differences	(102)	(45)
Total tax charge	1,501	1,799

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:

	2017 £k	2016 £k
Profit before taxation	7,704	8,426
Expected tax charge based on the standard rate of corporation tax in the UK of 19.25% (2016: 20.00%)	1,483	1,685
Effect of reduction in corporation tax rate on deferred tax	14	109
Permanent timing differences	12	(2)
Other permanent differences	(8)	7
Tax expense for the year	1,501	1,799

Factors that may affect future current and total tax charges

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

12 Dividends

	2017	2016	2017	2016
	£ per share	£ per share	£k	£k
"A" ordinary shares				
Interim paid	0.83	1.17	2,550	3,570
"B" ordinary shares				
Interim paid	0.83	1.17	2,450	3,430
Total dividends				
Interim paid			5,000	7,000

13 Tangible fixed assets

	Fixtures, fittings & equipment	Operating lease agreements	Total
	£k	£k	£k
Cost			
At 1 January 2017	57	-	57
Additions	-	2,187	2,187
At 31 December 2017	57	2,187	2,244
Depreciation and impairment			
At 1 January 2017	57	-	57
Depreciation charged in the year	-	240	240
At 31 December 2017	57	240	297
Carrying amount			
At 31 December 2017	-	1,947	1,947
At 31 December 2016	-	-	-

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 analyzed below. The following table presents the Company's financial assets and liabilities that are measured at fair value at 31 December 2017:

At 31 December 2017	Carrying value £k	Level 1 £k	Level 2 £k	Level 3 £k
Financial Assets				
Finance lease receivables	262,554			264,167
Total	262,554	-	-	264,167
At 31 December 2016				
Financial Assets				
Finance lease receivables	247,293			248,092
Total	247,293	-	-	248,092

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:	**2017 £k**	**2016 £k**
Trade debtors	-	4
Amount due from parent undertaking	5,077	2,865
Amounts due from fellow group undertakings	659	905
Finance leases receivable	106,565	94,120
Inventory finance receivable	123,141	103,607
Other debtors	8,179	12,187
Prepayments and accrued income	61	47
	243,682	213,735

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)	155,989	153,173
Deferred tax asset (note 23)	1,033	931
	157,022	154,104
Total debtors	400,704	367,839

16 Finance lease receivables

	2017	2016
	£k	£k
Gross amounts receivable under finance leases:		
Within one year	122,332	118,740
Later than one year but not later than five years	166,088	152,816
Later than five years	1,182	1,175
	289,602	272,731
Impairment provision	(1,168)	(908)
Unearned finance income	(25,880)	(24,530)
Present value of minimum lease payments receivable	262,554	247,293
The present value is receivable as follows:		
Within one year	106,565	94,120
Later than one year but not later than five years	154,833	152,051
Later than five years	1,156	1,122
	262,554	247,293

Analysis of finance leases

The fair value of finance lease receivables is not considered to be significantly different from the carrying value (see note 14)

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 (2016: 44).

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.

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 statement of financial position date is as follows:

	2017 Gross Impaired £k	2017 Provision £k	2016 Gross Impaired £k	2016 Provision £k
0-30 days	180	121	753	414
30-120 days	966	523	535	254
More than 120 days	803	671	527	410
	1,949	1,315	1,815	1,078

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

The ageing of debt past due but not impaired at the statement of financial position date is as follows:

	2017 Past Due £k	2016 Past Due £k
0-30 days	333	857
30-120 days	148	333
More than 120 days	70	150
	551	1,340

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

Rabobank Risk Rating	S&P Equivalent	2017 £k	2016 £k
R0-R10	AAA to BBB-	63,387	53,118
R11-R13	BB+ to BB	159,844	134,628
R14-R16	BB- to B+/B	122,785	112,200
R17-R18	B to B-	25,426	32,679
R19-R20	B-/CCC+ to CC	11,753	15,120
		383,195	347,745

Impairment Provisions

	Hire purchase agreements £k	Finance lease agreements £k	Inventory finance £k	Collective £k	Total £k
At 1 January 2016	714	282	261	163	1,420
Movement in provision	65	(7)	49	(24)	83
Write off	(285)	-	(1)	-	(286)
At 31 December 2016	494	275	309	139	1,217
At 1 January 2017	494	275	309	139	1,217
Movement in provision	161	67	9	32	269
Write off		-		-	-
At 31 December 2017	655	342	318	171	1,486

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 financial liabilities at the statement of financial position date.

	Group payables	Loans	Overdrafts	Trade accruals & other creditors	Total
	£k	£k	£k	£k	£k
As at 31 December 2016					
Payable within one year	1,913	168,430	3,172	1,640	175,155
One to < two years	-	81,931	-	-	81,931
Two to < five years	-	81,100	-	-	81,100
More than five years	-	1,050	-	-	1,050
	1,913	332,511	3,172	1,640	339,236
As at 31 December 2017					
Payable within one year	30	194,494	4,658	5,800	204,982
One to < two years	-	85,603	-	-	85,603
Two to < five years	-	89,141	-	-	89,141
More than five years	-	752	-	-	752
	30	369,990	4,658	5,800	380,478

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

	Notes	2017 £k	2016 £k
Loans and overdrafts	22	172,007	164,081

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

		2017 £k	2016 £k
Payable by instalments		750	1,050

The loans over 5 years are payable in instalments at a commercial rate of interest and an average term of 67 months (2016: 71 months).

21 Creditors: amounts falling due within one year

	Notes	2017 £k	2016 £k
Loans and overdrafts	22	195,258	171,602
Trade creditors		44	39
Amounts due to group undertakings		30	1,913
Corporation tax		680	459
Other taxation and social security		64	43
Other creditors		470	422
Accruals and deferred income		5,286	1,179
		201,832	175,657

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

22 Loans and overdrafts

	2017 £k	2016 £k
Loans	362,607	332,511
Bank overdrafts	4,658	3,172
	367,265	335,683
Payable within one year	195,258	171,602
Payable after one year	172,007	164,081

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 2017 £k	Assets 2016 £k
Decelerated capital allowances	892	808
Other temporary differences	141	123
	1,033	931

Movements in the year:	Other temporary differences 2017 £k	Decelerated capital allowances 2017 £k	Total 2017 £k	Other temporary differences 2016 £k	Decelerated capital allowances 2016 £k	Total 2016 £k
At beginning of year	123	808	931	134	752	886
Credit/(debit) to income statement	18	84	102	(11)	56	45
At end of year	141	892	1,033	123	808	931

24 Called up share capital

	2017 £k	2016 £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.

25 Retirement benefit schemes

Defined contribution schemes	2017 £k	2016 £k
Charge to income statement in respect of defined contribution schemes	196	172

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 £195,969 (2016: £171,929).

26 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:

	2017 £k	2016 £k
Not later than one year	5	10
Later than one year and not later than five years	49	42
	54	52

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	
	2017	**2016**	**2017**	**2016**
	£k	**£k**	**£k**	**£k**
Entities with control, joint control or significant influence over the company	4,751	5,144	333,188	289,799
	4,751	5,144	333,188	289,799

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

During the year the Company received interest of £35,662 (2016: £322,787) from Rabobank and fellow subsidiaries.

The Company received administration income of £652,094 (2016: £869,057) from AGCO Finance DAC, a company registered in Ireland, with a similar share ownership. At the year end, an amount of £659,333 (2016: £905,244) 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	
	2017	**2016**
	£k	**£k**
Rabobank and fellow subsidiaries	30	1,913
	30	1,913

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

27 Related party transactions (Continued)

The following amounts were outstanding at the reporting end date:

	Amounts owed by related parties	
	2017	2016
	£k	£k
Rabobank and fellow subsidiaries	5,077	2,865
	5,077	2,865

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

28 Capital commitments

The Company had no contracted capital commitments at 31 December 2017.

29 Events after the reporting date

There have been no events since the statement of financial position date which necessitate the revision of the financial statements.

30 Controlling party

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

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

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

31 Capital Management

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

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

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

32 Cash absorbed by operations

	2017 £k	2016 £k
Profit for the financial year before tax	7,704	8,426
Adjustments for:		
Investment income	(36)	(323)
Operating lease depreciation	240	-
Increase/(decrease) in provisions	269	(203)
Movements in working capital:		
(Increase) in debtors	(33,032)	(12,411)
Increase in creditors	2,298	1,919
Cash absorbed by operations	(22,557)	(2,592)