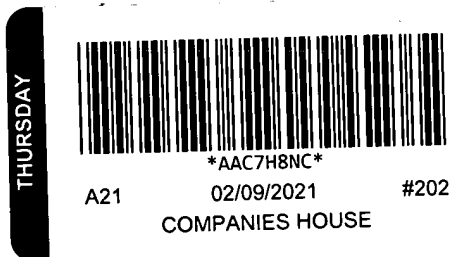


Company Registration No. 2521081 (England and Wales)

**AGCO FINANCE LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**



# AGCO FINANCE LIMITED

## COMPANY INFORMATION

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

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# AGCO FINANCE LIMITED

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# **AGCO FINANCE LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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The directors present the strategic report and financial statements for the year ended 31 December 2020.

#### **Principal activities**

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

The Company provides products in two main categories:

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

No change in principal activity is planned.

#### **Review of the business**

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

The Directors consider that performance in 2020 was in line with the key objectives of the business:

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

The results for the year are set out on page 10 and the Company's financial position is set out in the statement of financial position on page 14.

#### **Principal risks, uncertainties and financial risk management**

##### **Credit risk**

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

##### **Liquidity risk**

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

##### **Coronavirus**

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

##### **Political Risk and Brexit**

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

##### **Interest rate risk**

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

# **AGCO FINANCE LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### ***Section 172(1) statement***

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

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

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

Supporting each decision, the Executive Team are given access to management papers which set out the potential outcome of decisions. The papers include diligence on the financial impact via forecasts, as well as non-financial factors and how the decision fits with the strategy of the Company.

The Company has a 5 year plan, which is a financial plan supported by a Growth Optimisation Plan, which is reviewed regularly to benchmark performance and achievements. The strategy is reviewed in detail for the future decision making processes. Where appropriate, the Executive Team will delegate responsibility to members of the management team such as HR and Compliance.

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

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

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

The Executive Team have identified the stakeholders of the Company and review regularly to ensure adequate communication and engagement is ongoing with this group.

In addition to its members the key stakeholders of the business are considered its shareholders, its customers and the AGCO dealer network. Performance indicators are used by the business to monitor and track how successfully the business is meeting the expectations of those stakeholders. This includes recording net promoter score data collected via surveys and phone calls.

Whilst the majority of our cost base is people, we maintain strong relationships with our suppliers and continually monitor supplier payments. Any significant suppliers are subject to due diligence processes concerning working practices and ethics as well as their financial stability and viability.

# AGCO FINANCE LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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

The Company takes its responsibility within the community and wider environment seriously. Every year the Company chooses a charity to sponsor. Members are encouraged to participate in community and charitable activities.

Corporate and social responsibility is included in the review approval of incoming business and the Company will reject business applications that run contrary to the values and ethics of the business.

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

The Directors of the Company are committed to high standards of business conduct and governance. The Company operates robust internal controls and systems in place which are periodically reviewed and tested.

In making decisions the Executive Team will seek to limit opportunities for any adverse reputational outcomes, both for the Business itself and its shareholders. TCF aspects ('treating customers fairly') are a key consideration in the review of products, services and delivery.

Where required the Executive Team will engage with advisors and specialists to ensure that the business conduct standards are maintained.

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

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

#### Performance

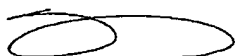
Performance for the year was ahead of expectations with the business achieving its highest ever retail and wholesale new business levels. The retail portfolio (classified in the financial statements as "finance lease receivable") increased from £314million in 2019 to £340million at the end of 2020.

Profit for the financial year was £7.09million (2019: £7.73million), a small decrease on prior year largely due to higher risk costs.

#### Key Performance Indicators

The Directors use certain financial key performance indicators ("KPIs") to monitor and assess the performance of the Company. The principal KPIs are the income statement and statement of financial position as presented on pages 10 and 12 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

13 August 2021

# **AGCO FINANCE LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

---

The directors present their annual report and audited financial statements for the year ended 31 December 2020.

#### **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 10.

No interim dividend was paid during the year (2019: £4million). The directors do not recommend payment of a final dividend.

#### **Financial Risk Management**

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

#### **Post reporting date events**

The directors have concluded and made an assessment that the coronavirus pandemic does not provide any additional uncertainties that existed as at 31 December 2020. Therefore, there are no events since the balance sheet date that need disclosing.

#### **Future developments**

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

#### **Sustainability**

The company does not meet the requirements for carbon reporting

#### **Independent Auditors**

PricewaterhouseCoopers LLP served as the auditors throughout the year.

#### **Statement of disclosure to Auditors**

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

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

# AGCO FINANCE LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

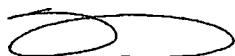
Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

On behalf of the board



Mr S Jones  
Director  
13/08/2021



# **AGCO FINANCE LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF AGCO FINANCE LIMITED**

---

#### **Report on the audit of the financial statements**

##### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 2020; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

##### **Basis for opinion**

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

##### *Independence*

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

##### **Conclusions relating to going concern**

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

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

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

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

##### **Reporting on other information**

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

# **AGCO FINANCE LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF AGCO FINANCE LIMITED**

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

#### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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

##### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

##### *Auditors' responsibilities for the audit of the financial statements*

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

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

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

# **AGCO FINANCE LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF AGCO FINANCE LIMITED**

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

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

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

#### *Use of this report*

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

#### **Other required reporting**

##### **Companies Act 2006 exception reporting**

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

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

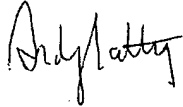
We have no exceptions to report arising from this responsibility.

# **AGCO FINANCE LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE MEMBERS OF AGCO FINANCE LIMITED**

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

Date: *13 August 2021*

# AGCO FINANCE LIMITED

## INCOME STATEMENT

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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	Note	2020 £k	2019 £k
Turnover	3	24,438	22,790
Cost of sales	4	(7,002)	(7,301)
<b>Gross profit</b>		<u>17,436</u>	<u>15,489</u>
Administrative expenses		(8,519)	(6,309)
Other operating income	5	416	415
<b>Profit before taxation</b>		<u>9,333</u>	<u>9,595</u>
Tax on profit	10	(2,243)	(1,862)
<b>Profit for the financial year</b>		<u><u>7,090</u></u>	<u><u>7,733</u></u>

The notes on pages 15 to 44 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 2020

---

	2020 £k	2019 £k
Profit for the financial year	7,090	7,733
Other comprehensive income	-	-
Total comprehensive income for the year	<u>7,090</u>	<u>7,733</u>

# AGCO FINANCE LIMITED

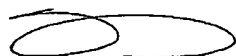
## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		2020		2019	
	Note	£k	£k	£k	£k
<b>Fixed assets</b>					
Tangible assets	12		12,945		8,057
<b>Current assets</b>					
Debtors amounts falling due after one year	15	207,371		202,169	
Debtors amounts falling due within one year	15	319,332		288,102	
Cash at bank and in hand		216		450	
		526,919		490,721	
<b>Creditors: amounts falling due within one year</b>	21	(265,376)		(248,885)	
Net current assets			261,543		241,836
<b>Total assets less current liabilities</b>			274,488		249,893
<b>Creditors: amounts falling due after more than one year</b>	20		(230,478)		(212,973)
<b>Net assets</b>			44,010		36,920
<b>Capital and reserves</b>					
Called up share capital	24		6,000		6,000
Profit and loss account			38,010		30,920
<b>Total equity</b>			44,010		36,920

The notes on pages 15 to 44 are an integral part of these financial statements.

The financial statements on pages 10 to 44 were approved by the board of directors and authorised for issue on 13 August 2021 and are signed on its behalf by:



Mr S Jones  
Director  
13 August 2021

Company Registration No. 2521081

# AGCO FINANCE LIMITED

## STATEMENT OF CHANGES IN EQUITY

*FOR THE YEAR ENDED 31 DECEMBER 2020*

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	Note	Called up share capital £k	Profit and loss account £k	Total Equity £k
Balance at 1 January 2019		6,000	27,187	33,187
		<u>        </u>	<u>        </u>	<u>        </u>
Total comprehensive income for the year		-	7,733	7,733
Dividends paid	11	-	(4,000)	(4,000)
		<u>        </u>	<u>        </u>	<u>        </u>
Balance at 31 December 2019		6,000	30,920	36,920
		<u>        </u>	<u>        </u>	<u>        </u>
Total comprehensive income for the year		-	7,090	7,090
		<u>        </u>	<u>        </u>	<u>        </u>
Balance at 31 December 2020		6,000	38,010	44,010
		<u>        </u>	<u>        </u>	<u>        </u>

The notes on pages 15 to 44 are an integral part of these financial statements.



# AGCO FINANCE LIMITED

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £k	2019 £k
<b>Cash flows from operating activities</b>			
Cash absorbed by operations	30	(22,705)	(17,987)
Income taxes paid		(2,988)	(2,104)
<b>Net cash outflow from operating activities</b>		(25,693)	(20,091)
<b>Investing activities</b>			
Purchase of tangible fixed assets		(7,392)	(5,755)
Proceeds on disposal of tangible fixed assets		1,563	687
<b>Net cash used in investing activities</b>		(5,829)	(5,068)
<b>Cash flows from financing activities</b>			
Drawdown of loans		31,298	30,066
Payment of finance leases obligations		(10)	
Dividends paid		-	(4,000)
<b>Net cash generated from financing activities</b>		31,288	26,066
<b>Net (decrease)/increase in cash and cash equivalents</b>		(234)	907
Cash and cash equivalents at beginning of year		450	(457)
<b>Cash and cash equivalents at end of year</b>		216	450

The notes on pages 15 to 44 are an integral part of these financial statements.

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 1 Accounting policies

##### Company information

AGCO Finance Limited is a private company limited by shares incorporated and domiciled in the United Kingdom. The registered office is Building 7, Croxley Park, Hatters Lane, Watford, Hertfordshire, United Kingdom, WD18 8YN. For details on the Company's principal activity please refer to the Strategic report set out on page 1.

#### 1.1 Accounting convention

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

The financial statements have been prepared on the historical cost basis and in accordance with the Companies Act 2006. The principal accounting policies adopted are set out below. The accounting policies adopted are the same as in the previous year and have been consistently applied.

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

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

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

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

#### 1.2 Going concern

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

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 1 Accounting policies

(Continued)

##### 1.3 Turnover

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

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

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

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

##### Other Operating Income

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

##### 1.4 Tangible fixed assets

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

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

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

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

##### 1.5 Impairment of non-financial assets

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

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

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

##### 1.6 Cash and cash equivalents

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

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 1 Accounting policies

(Continued)

#### 1.7 Financial instruments

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

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

- a. they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company; and
- b. where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

The Company has classified its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- Those to be measured at amortized cost.

The classification depends on:

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

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

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

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### 1.7 Financial instruments

##### **Financial assets**

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

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

##### **Debtors**

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

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

##### **Derecognition of financial assets**

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

##### **Other financial assets**

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

##### **Inventory finance receivables**

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

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### 1.7 Financial instruments

##### ***Impairment of financial assets***

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

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

##### **Impairment methodology**

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

The total loan impairment allowance consists of two components:

- Specific allowance for impaired exposures (IFRS 9 stage 3) determined for individually assessed impaired exposures.
- Allowance for not credit-impaired exposures determined as a collective provision for the portion of the portfolio that is not impaired and has a credit risk that either has not increased significantly since origination (stage 1) or has increased significantly since origination (stage 2).

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

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

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

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 1 Accounting policies

(Continued)

##### 1.7 Financial instruments

###### *a) Methodology to determine expected credit losses*

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

###### *b) Stage determination criteria*

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

For portfolios without individual PDs or with PDs that are not updated on a frequent basis such that an assessment of the change in PD is not possible, a collective assessment on groups of financial instruments with shared credit risk characteristics is made.

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

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

###### **Financial liabilities**

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

###### ***Other financial liabilities***

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

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

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

###### ***Derecognition of financial liabilities***

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

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### 1.8 Taxation

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

##### **Current tax**

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

##### **Deferred tax**

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

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

#### 1.9 Employee benefits

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

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

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

#### 1.10 Retirement benefits

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



# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 1 Accounting policies

(Continued)

#### 1.11 Leases

##### Where the Company is a Lessor

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

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

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

##### Where the Company is a Lessee

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

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

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

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

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

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

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 1 Accounting policies

(Continued)

#### 1.11 Leases

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

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

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

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

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

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

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

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

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 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

#### Significant estimates

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

#### *Impairment losses on finance lease and inventory finance receivables*

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

- 1) Determining the criteria for significant increase in credit risk.
- 2) Choosing appropriate methods and assumptions for the measurement of ECLs. Specifically, a number of assumptions are required such as estimated resale value, current market for agricultural equipment, the customer likelihood of paying based on payment history and credit risk, and merchandising issues. The carrying value of impairment provisions is £3,401(2019: £1,374).

#### *Critical accounting estimates and judgements*

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

### 3 Turnover

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

	2020 £k	2019 £k
<b>Turnover</b>		
Finance lease interest income	1,301	1,254
Hire purchase interest income	15,642	14,676
Operating lease income	2,534	1,734
Inventory finance income	3,328	3,633
Other income	1,633	1,493
	<u>24,438</u>	<u>22,790</u>

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 3 Turnover (Continued)

#### Turnover analysed by geographical market

	2020 £k	2019 £k
United Kingdom	24,438	22,790

### 4 Cost of Sales

Included in cost of sales are the following:

	2020 £k	2019 £k
Interest payable on bank overdrafts and loans	5,891	6,317
Other	1,111	984
	7,002	7,301

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

	2020 £k	2019 £k
Management fees receivable	416	415

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

### 6 Operating profit

	2020 £k	2019 £k
Operating profit for the year is stated after crediting/(charging):		
Exchange gains/(losses)	(4)	13
Depreciation of owned tangible fixed assets	942	662
Finance lease charges	2	21

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 7 Auditors' remuneration

	2020 £k	2019 £k
Fees payable to the Company's auditors'		
<b>For audit services</b>		
Audit of the Company's financial statements	114	52

There were no non-audit fees paid to the Company's auditors' (2019: £Nil).

### 8 Employees

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

	2020 Number	2019 Number
Sales	9	9
Admin	27	27
	<u>36</u>	<u>36</u>

Their aggregate remuneration comprised:

	2020 £k	2019 £k
Wages and salaries	2,232	2,028
Social security costs	212	198
Other pension costs	178	185
	<u>2,622</u>	<u>2,411</u>

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 9 Directors' remuneration

	2020 £k	2019 £k
Remuneration for qualifying services	175	171
Company pension contributions to defined contribution schemes	18	17
	<u>193</u>	<u>188</u>

Included in directors' emoluments is an amount attributable to the highest paid director of £175,140 (2019: £170,604). The Company's contribution to the individual defined contribution scheme of the highest paid director was £17,851 (2019: £17,002) during the current year. Other directors did not receive any emoluments for services provided to the Company. All other directors were employed by and received all emoluments from either AGCO Limited or De Lage Landen Leasing Limited (DLL). The directors perform director's duties for multiple entities in the DLL and AGCO Group, as well as their employment duties within DLL and AGCO Group businesses. Consequently, allocating their employment compensation accurately across all these duties would not be feasible. Accordingly, no separate remuneration has been disclosed for these directors.

### 10 Tax on profit

	2020 £k	2019 £k
<b>Total current tax</b>		
UK Corporation tax on profits for the current year	2,101	1,840
	<u>2,101</u>	<u>1,840</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	142	22
	<u>142</u>	<u>22</u>
<b>Total tax charge</b>	<u>2,243</u>	<u>1,862</u>

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 10 Tax on profit

(Continued)

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

	2020 £k	2019 £k
Profit before taxation	9,333	9,595
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	1,773	1,823
Permanent capital allowances in excess of depreciation	337	22
Permanent timing differences	(2)	12
Other permanent differences	135	5
Tax expense for the year	2,243	1,862

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

Changes to the UK corporation tax rates were announced in the Chancellor's Budget on 8 July 2015 and were substantively enacted on the 26 October 2015. These include reductions to the main rate to reduce the rate to 19.00% from 1 April 2017 and to 18.00% from 1 April 2020. A further change was announced in the Chancellor's Budget on 16 March 2016 to reduce the main rate to 17.00% from 1 April 2020. However, in the Spring Budget 2020, the Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17% as previously enacted). This new law was substantively enacted on 17 March 2020. These changes had been substantively enacted as at 31 December 2020 and, therefore, the effects of these reductions are included in these financial statements. The deferred tax asset at 31 December 2020 has been calculated using a rate of 19.00% (2019: 17.00%).

The UK government announced in its 2021 budget an increase in the rate of corporation Tax from 19.00% to 25.00% with effect from 1 April 2023. At the balance sheet date, the proposal to increase the rate to 25.00% had not been substantively enacted, substantive enactment occurred on 24 May 2021, therefore, its effects are not included in these financial statements. The Finance Bill received Royal Assent on 10 June 2021 ( becoming Finance Act 2021 ). However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to reduce the tax expense for the period by £120,000 to increase the deferred tax asset by £120,000

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 11 Dividends

	2020 £ per share	2019 £ per share	2020 £k	2019 £k
<b>"A" ordinary shares</b>				
Interim paid	-	0.67	-	2,040
<b>"B" ordinary shares</b>				
Interim paid	-	0.67	-	1,960
<b>Total dividends</b>				
Interim paid			-	4,000

No dividends were paid in 2020

### 12 Tangible assets

	Fixtures, fittings & equipment £k	Right of Use - Motor vehicles £k	Operating lease agreements £k	Total £k
<b>Cost</b>				
At 1 January 2020	57	138	9,366	9,561
Additions	36	39	7,317	7,392
Disposals	-	(17)	(2,195)	(2,212)
At 31 December 2020	93	160	14,488	14,741
<b>Accumulated Depreciation and impairment</b>				
At 1 January 2020	57	33	1,414	1,504
Depreciation charged in the year	3	51	888	942
Eliminated in respect of disposals	-	(18)	(632)	(650)
At 31 December 2020	60	66	1,670	1,796
<b>Carrying amount</b>				
At 31 December 2020	33	94	12,818	12,945
At 31 December 2019	-	105	7,952	8,057



# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 13 Leases

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

#### Amounts recognised in the Statement of financial position

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

	2020 £k	2019 £k
<b>Right-of-use assets</b>		
Vehicles	94	105
	<u>94</u>	<u>105</u>
<b>Lease liabilities</b>		
Current	51	5
Non-current	45	101
	<u>96</u>	<u>106</u>

Additions to the right-of-use assets during the 2020 financial year were £39,000 (2019: £94,000)

#### Amounts recognised in the Statement of comprehensive income

	2020 £k	2019 £k
Depreciation charge of right-of-use assets:		
Vehicles	51	33
	<u>51</u>	<u>33</u>
Interest expense (included in administration expenses)	4	2
Expenses relating to short term leases (included in administration expenses)	18	24
	<u>22</u>	<u>26</u>

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 14 Financial instruments

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

#### Determination of fair value

(a) Level 1 – quoted market price: financial instruments with quoted prices for identical instruments in active markets.

(b) Level 2 – valuation technique using observable inputs: financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

(c) Level 3 – valuation technique using significant unobservable inputs: financial instruments valued using models where one or more significant inputs are unobservable.

For all financial instruments, the fair value is equal to the carrying value in the statement of financial position, except as analysed below. The following table presents the Company's financial assets and liabilities that are measured at fair value at 31 December 2020 and 31 December 2019:

	Carrying value £k	Level 1 £k	Level 2 £k	Level 3 £k
At 31 December 2020				
<b>Financial Assets</b>				
Finance lease receivables	340,410	-	-	346,700
Total	340,410	-	-	346,700
At 31 December 2019				
<b>Financial Assets</b>				
Finance lease receivables	314,116	-	-	322,056
Total	314,116	-	-	322,056

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

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 15 Debtors

	2020 £k	2019 £k
<b>Amounts falling due within one year:</b>		
Trade debtors	1	-
Amounts due from fellow group undertakings	444	410
Finance leases receivable (note 16)	133,850	112,899
Inventory finance receivable	172,808	160,218
Other debtors	12,229	14,523
Prepayments and accrued income	-	52
	<u>319,332</u>	<u>288,102</u>

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)	206,560	201,217
Deferred tax asset (note 23)	811	952
	<u>207,371</u>	<u>202,169</u>
<b>Total debtors</b>	<u>526,703</u>	<u>490,271</u>

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 16 Finance lease receivables

	2020 £k	2019 £k
Gross amounts receivable under finance leases:		
Within one year	150,278	140,766
Later than one year but not later than five years	220,988	204,913
Later than five years	2,990	1,985
	<u>374,256</u>	<u>347,664</u>
Impairment provision	(2,444)	(929)
Unearned finance income	(31,402)	(32,619)
	<u>340,410</u>	<u>314,116</u>
Present value of minimum lease payments receivable	<u>340,410</u>	<u>314,116</u>
The present value is receivable as follows:		
Within one year	133,850	112,899
Later than one year but not later than five years	203,701	198,679
Later than five years	2,859	2,538
	<u>340,410</u>	<u>314,116</u>

#### Analysis of finance leases

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

The Company enters into financial leasing arrangements for customers of AGCO dealers so they can acquire capital equipment. The average term of finance leases entered into is 45 months (2019: 45).

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 17 Financial Instruments - Credit Risk

#### Credit Risk

##### *Financial Risk Management*

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

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

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

##### *Risk Rating*

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

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

		2020	2019
Rabobank Risk Rating	S&P Equivalent	£k	£k
R0-R10	AAA to BBB-	100,837	66,001
R11-R13	BB+ to BB	169,992	176,165
R14-R16	BB- to B+/B	175,849	173,692
R17-R18	B to B-	39,644	38,421
R19-R20	B-/CCC+ to CC	26,576	16,328
		<hr/>	<hr/>
		512,898	470,607
Not past due			
<30 days		3,455	3,351
30 to 60 days		855	371
61 to 90 days		1,188	154
> 90 days		992	196
Defaulted		4,207	6,577
		<hr/>	<hr/>
		523,595	481,256
		<hr/>	<hr/>

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 17 Financial Instruments - Credit Risk

(Continued)

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

	2020		2019	
	Maximum exposure	Collateral coverage	Maximum exposure	Collateral coverage
	£k	%	£k	%
Lease receivables	340,410	98.20%	314,116	97.50%

#### Collateral and credit enhancements

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

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

#### Analysis of portfolio by stage

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

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

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 17 Financial Instruments - Credit Risk

(Continued)

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

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

At 31 December 2020		Subject to 12-month ECL	Subject to lifetime ECL	Subject to lifetime ECL	Total gross exposure
		Stage 1	Stage 2	Stage 3	
		£k	£k	£k	£k
Not past due		483,661	29,237	-	512,898
<30 days		2,842	614	-	3,456
30 to 60 days		-	855	-	855
61 to 90 days		-	1,188	-	1,188
> 90 days		-	991	-	991
Impaired		-	-	4,207	4,207
		<u>486,503</u>	<u>32,885</u>	<u>4,207</u>	<u>523,595</u>

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 17 Financial Instruments - Credit Risk

(Continued)

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

#### Stage determination criteria

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

#### Impairment Provisions

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

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

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



# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 17 Financial Instruments - Credit Risk

(Continued)

	Subject to 12- month ECL Stage 1 £k	Subject to lifetime ECL Stage 2 £k	Subject to lifetime ECL Stage 3 £k	Total 2020 £k
<b>Lease receivable</b>				
At 1 January 2020	78	54	797	929
Movement in provision	516	297	702	1,515
Write-off	-	-	-	-
At 31 December 2020	594	351	1,499	2,444
<b>Inventory finance receivable</b>				
At 1 January 2020	263	182	-	445
Movement in provision	170	(179)	521	512
Write-off	-	-	-	-
At 31 December 2020	433	3	521	957
Total	1,027	354	2,020	3,401
	Subject to 12- month ECL Stage 1 £k	Subject to lifetime ECL Stage 2 £k	Subject to lifetime ECL Stage 3 £k	Total 2019 £k
<b>Lease receivable</b>				
At 1 January 2019	73	39	713	825
Movement in provision	5	15	263	283
Write-off	-	-	(179)	(179)
At 31 December 2019	78	54	797	929
<b>Inventory finance receivable</b>				
At 1 January 2019	247	133	-	380
Movement in provision	16	49	-	65
Write-off	-	-	-	-
At 31 December 2019	263	182	-	445
Total	341	236	797	1,374

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 18 Financial Instruments - Liquidity Risk

#### Liquidity Risk

##### *Financial Risk Management*

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

The following is a breakdown of the financial maturities of the undiscounted contractual cashflows associated with financial liabilities at the statement of financial position date. Loans and interest includes the full amount payable in the future.

	Group payables	Loans and interest	Overdrafts	Trade accruals & other creditors	Lease liabilities	Total
	£k	£k	£k	£k	£k	£k
<b>As at 31 December 2020</b>						
Payable within one year	3,064	248,847	-	17,891	51	269,853
One to < two years	-	106,606	-	-	45	106,651
Two to < five years	-	125,553	-	-	-	125,553
More than five years	-	2,564	-	-	-	2,564
	<u>3,064</u>	<u>483,570</u>	<u>-</u>	<u>17,891</u>	<u>96</u>	<u>504,621</u>
<b>As at 31 December 2019</b>						
Payable within one year	2,433	236,247	-	14,937	5	253,622
One to < two years	-	104,320	-	-	101	104,421
Two to < five years	-	111,903	-	-	-	111,903
More than five years	-	1,457	-	-	-	1,457
	<u>2,433</u>	<u>453,927</u>	<u>-</u>	<u>14,937</u>	<u>106</u>	<u>471,403</u>

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 19 Financial Instruments -Market Risk

#### *Financial Risk Management*

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

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

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

The Company holds no equity as financial instruments.

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

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

	Note	2020 £k	2019 £k
Loans and overdrafts	22	230,433	212,872
Lease liabilities		45	101
		<u>230,478</u>	<u>212,973</u>

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

Payable by instalments	2,547	1,447
	<u>2,547</u>	<u>1,447</u>

The loans over 5 years are payable in instalments at a commercial rate of interest and an average term of 82 months (2019: 71 months).

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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

	Notes	2020 £k	2019 £k
Loans and overdrafts	22	244,919	231,182
Lease liabilities		51	5
Trade creditors		184	120
Amounts due to group undertakings		3,064	2,433
Corporation tax		(599)	287
Other taxation and social security		50	41
Other creditors		3,207	5,285
Accruals and deferred income		14,500	9,532
		<u>265,376</u>	<u>248,885</u>

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

### 22 Loans and overdrafts

	2020 £k	2019 £k
Loans	<u>475,352</u>	<u>444,054</u>
Payable within one year	244,919	231,182
Payable after one year	<u>230,433</u>	<u>212,872</u>

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:

	Assets 2020 £k	Assets 2019 £k
Balances:		
Decelerated capital allowances	952	776
Other temporary differences	(141)	176
	<u>811</u>	<u>952</u>

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 23 Deferred taxation

(Continued)

	Other temporary differences 2020 £k	Decelerated capital allowances 2020 £k	Total 2020 £k	Other temporary differences 2019 £k	Decelerated capital allowances 2019 £k	Total 2019 £k
<b>Movements in the year:</b>						
At beginning of year	176	776	952	109	866	975
Credit/(debit) to income statement	278	(420)	(142)	67	(90)	(23)
At end of year	<u>454</u>	<u>356</u>	<u>810</u>	<u>176</u>	<u>776</u>	<u>952</u>

### 24 Called up share capital

	2020 £k	2019 £k
<b>Issued and fully paid</b>		
3,060,000 "A" (2019: 3,060,000 "A") ordinary shares of £1 each	3,060	3,060
2,940,000 "B" (2019: 2,940,000 "B") ordinary shares of £1 each	2,940	2,940
	<u>6,000</u>	<u>6,000</u>

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

	2020 £k	2019 £k
<b>Defined contribution schemes</b>		
Charge to income statement in respect of defined contribution schemes	<u>178</u>	<u>185</u>

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 £178k (2019: £185k).

### 26 Capital commitments

The Company had no contracted capital commitments at 31 December 2020 (2019: nil)

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

### 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	
	2020 £k	2019 £k	2020 £k	2019 £k
Entities with control, joint control or significant influence over the company	5,891	6,317	358,184	395,645
	<u>5,891</u>	<u>6,317</u>	<u>358,184</u>	<u>395,645</u>

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

During the year the Company received nil interest (2019: £0) from Rabobank and fellow subsidiaries.

The Company received administration income of £415,650 (2019: £414,813) from AGCO Finance DAC, a company registered in Ireland, with a similar share ownership. At the year end, an amount of £443,635 (2019: £401,944) 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	
	2020 £k	2019 £k
Rabobank and fellow subsidiaries	3,063	2,332
	<u>3,063</u>	<u>2,332</u>

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

(a) Rabobank is the trading name of the ultimate parent company (see note 28).

(b) AGCO Limited is a subsidiary undertaking of AGCO International Limited. At 31 December 2017, AGCO International Limited held "B" ordinary shares representing its aggregate 49% of the total issued share capital of the Company.

# AGCO FINANCE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2020

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### 28 Ultimate controlling party

#### Parent company

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

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

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

### 29 Capital Management

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

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

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

### 30 Cash absorbed by operations

	2020 £k	2019 £k
Profit before tax	9,333	9,595
<b>Adjustments for:</b>		
Operating lease depreciation	942	662
Increase in provisions	2,026	170
<b>Movements in working capital:</b>		
Increase in debtors	(38,781)	(38,173)
Increase in creditors	3,775	9,759
<b>Cash absorbed by operations</b>	<u>(22,705)</u>	<u>(17,987)</u>