# AGCO LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2008

## COMPANY NUMBER: 509133

# AGCO LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

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**AGCO LIMITED**

**DIRECTORS' AND COMPANY INFORMATION**

| | |
|---|---|
| Directors | R N Batkin<br>C R Hefford<br>R Markwell |
| Secretary | R N Batkin |
| Registered Office | Abbey Park<br>Stoneleigh<br>Kenilworth<br>CV8 2TQ |
| Registered number | 509133 |
| Auditors | KPMG LLP<br>Chartered Accountants and<br>Registered Auditor<br>One Snowhill<br>Snow Hill Queensway<br>Birmingham<br>B4 6GH |
| Bank | HSBC Bank Plc<br>Level 37<br>8 Canada Square<br>London<br>E14 5HQ |

# AGCO LIMITED

## DIRECTORS' REPORT
## FOR THE YEAR ENDED 31 DECEMBER 2008

The dırectors present theır annual report and the audıted fınancıal statements for the year ended 31 December 2008

**Principal activity**

The Company's prıncıpal activity durıng the year was the marketıng and sellıng of agrıcultural tractors and other farm machinery and parts The Company also provides a financial and admınıstratıve servıce whıch ıs shared by other group companıes Thıs servıce ıs recharged to the relevant companıes via management fees

**Review of business**

AGCO Lımıted contınues to purchase agrıcultural equıpment and spare parts from OEM supplıers and other AGCO group companıes to sell to ıts UK and Irısh dealer network and to export markets It sells agrıcultural equıpment ın the UK and Irısh markets under the Massey Ferguson, Fendt, Valtra and Challenger brand names and ıt sells to export markets under the Massey Ferguson and Challenger brand names

Under ıts dıfferent brand names, the Company offers a full range of agrıcultural tractors rangıng from 40 to 570 horsepower Tractors account for approxımately 69% of the Company's total sales wıth replacement parts 18%, combıne harvesters and other equipment 13% constıtutıng the remaınder

From a number of ındependent sources and in complıance wıth legal requırements, the Company receıves market statıstıcs whıch ıdentıfy the number of unıts retaıled ın each market and over tıme ıs therefore able to determıne the movement ın the total market place and ıts own market share

In AGCO Lımıted's largest sıngle market, the Unıted Kıngdom, the total tractor market (measured ın tractor unıts) ıncreased for the thırd year runnıng and, over 2007, the market ıncreased by approxımately 24% AGCO Lımıted's total sales also increased in the same perıod The ıncrease ın UK market sıze reflected the ımprovement ın farmer confidence as a result of hıgher farm ıncome from lıvestock, crop and mılk prıces Raw materıal prıcıng and supplıer prıcing pressure negatıvely ımpacted Company profıtabılıty

In all other European markets the market sıze (measured ın tractor units) ıncreased by approxımately 10%, maınly ın the Central European and Baltıc markets AGCO Lımıted's sales to these markets also ıncreased year on year

AGCO Lımıted's assocıate companies contınue to ınvest strongly ın research and development to support AGCO's corporate vısıon statement of provıdıng "hıgh-tech solutıons for professıonal farmers feedıng the world"

AGCO Lımıted's ultımate parent company, AGCO Corporatıon, agaın achıeved strong operatıng cash flows ın 2008 whıch enabled ıt to reduce debt and ımprove its balance sheet. Such a performance enables the company to be able to ınvest ın ıts strategıc ınıtıatıves that support the vısıon statement above

The Company's strategic plans are focused on

1 growing sales and market position through product development, improving the quality of our dealer networks and enhancing service support programmes,

2 increasing profit through harmonising and improving internal processes and

3 optimising the Company's asset base and working capital requirements

Risks

The financial results of AGCO Limited depend entirely upon the agricultural industry and the factors that affect the agricultural industry such as farm income, debt levels, land values, commodity prices, crop yields and government policies or subsidies will affect the results of this Company

Sales will also be affected by economic conditions such as interest rates and exchange rate levels It is the Company's policy to hedge significant foreign currency cash flows either by natural hedges that occur from offsetting sales and purchases in the same currency or by entering into foreign exchange contracts

Weather conditions such as heat waves and drought, and pervasive livestock diseases can also affect farmers' buying decisions

Whilst AGCO Corporation is making significant investment in new product development, the ongoing success of AGCO Limited depends upon the ability of its suppliers to introduce new products that have customer acceptance Through its customer satisfaction index (CSI) programme, the Company continually monitors the acceptance of its product and the quality of its own service and its dealers' service to the end user

**Results and dividends**

The profit and loss account for the year is set out on page 8 The directors do not recommend the payment of a dividend (2007 £nil)

**Directors**

The directors who served during the year are

R N Batkin
C R Hefford
R Markwell

**Charitable donations and political contributions**

The company made charitable donations of £55,870 (2007 £74,106) There were no political contributions (2007 £nil) during the year

## AGCO LIMITED

## DIRECTORS' REPORT
## FOR THE YEAR ENDED 31 DECEMBER 2008
## (CONTINUED)

### Creditor payment policy

The Company's policy in respect of its suppliers is to agree terms of payment on or before entering into each transaction and to adhere to such terms, subject to satisfactory completion of the transaction concerned Where prior agreement is neither practicable nor feasible, invoices will be dealt with in a timely manner as part of a systematic payment process The Company negotiates individual payment terms with each of its suppliers. At 31 December 2008, the Company's creditor days compared to the value of suppliers' invoices received in the year was 67 days (2007 61 days)

### Employees

As a key part of the Company's philosophy, the Company continues to place great importance on involving its employees in its operations Regular meetings are held between management and employee representatives through which, as well as through house journals, news bulletins, briefing meetings, video presentations and open days, the Company seeks to keep employees informed and involved in the progress and performance of the Company and its associate companies

Disabled persons are employed and trained where their aptitude and abilities allow and where there are suitable vacancies Every effort is made to ensure that employment continues for employees who become disabled, training being arranged as appropriate It is the policy of the company that, as far as possible, disabled and able-bodied people should enjoy identical career opportunities

### Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information

### Auditors

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

**On behalf of the board:**

**R.N. Batkin**
**Secretary**
Abbey Park
Stoneleigh
Kenilworth
CV8 2TQ

15 March 2010

## AGCO LIMITED

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' 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 they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice)

The financial statements are required by law to 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,

- make judgments and estimates that are reasonable and prudent,

- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 1985 They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities

AGCO LIMITED

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AGCO LIMITED

We have audited the financial statements of AGCO Limited for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

### Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 5

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

### Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

## INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF AGCO LIMITED (CONTINUED)

### Opinion

In our opinion
• the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended,
• the financial statements have been properly prepared in accordance with the Companies Act 1985, and
• the information given in the Directors' Report is consistent with the financial statements

KPMG LLP

**KPMG LLP**

Chartered Accountants
Registered Auditor
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

15 March 2010

## AGCO LIMITED

## PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED 31 DECEMBER 2008

| | Note | **2008** | 2007 |
|---|---|---|---|
| | | **£'000** | £'000 |
| **Turnover** | 2 | **528,767** | 491,743 |
| Cost of sales | | **(478,875)** | (443,181) |
| **Gross profit** | | **49,892** | 48,562 |
| Distribution costs | | **(14,232)** | (11,053) |
| Administrative expenses | | **(53,104)** | (55,414) |
| Other operating income | 3 | **15,472** | 18,133 |
| **Operating (loss)/ profit being (loss)/ profit on ordinary activities before interest and taxation** | | **(1,972)** | 228 |
| Impairment of investments | 11 | **(961)** | - |
| Net interest receivable and similar income | 4 | **11,256** | 11,550 |
| Other finance charges | 5 | **(3,274)** | (1,300) |
| **Profit on ordinary activities before taxation** | 6 | **5,049** | 10,478 |
| Tax on profit on ordinary activities | 9 | **(1,746)** | (5,926) |
| **Profit for the financial year** | 19, 20 | **3,303** | 4,552 |

All of the amounts above relate to continuing activities

# AGCO LIMITED

## BALANCE SHEET
## AT 31 DECEMBER 2008

| | Note | 2008 £'000 | 2008 £'000 | 2007 £'000 | 2007 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible assets | 10 | | **5,762** | | 4,959 |
| Investments | 11 | | **1,895** | | 1,892 |
| | | | **7,657** | | 6,851 |
| **Current assets** | | | | | |
| Stocks | 12 | **15,494** | | 46,330 | |
| Debtors | 13 | **339,385** | | 348,984 | |
| Cash at bank and in hand | | **33** | | 156 | |
| | | **354,912** | | 395,470 | |
| **Creditors:** amounts falling due within one year | 14 | **(126,386)** | | (162,572) | |
| **Net current assets** | | | **228,526** | | 232,898 |
| **Total assets less current liabilities** | | | **236,183** | | 239,749 |
| **Creditors:** amounts falling due after more than one year | 15 | | **(2,142)** | | (1,539) |
| **Provisions for liabilities and charges** | 16 | | **(727)** | | (1,885) |
| **Net assets excluding pension liability** | | | **233,314** | | 236,325 |
| **Pension liability** | 22 | | **(35,967)** | | (20,736) |
| **Net assets including pension liability** | | | **197,347** | | 215,589 |
| **Capital and reserves** | | | | | |
| Called-up share capital | 18 | | **151,136** | | 151,136 |
| Profit and loss account | 19 | | **46,211** | | 64,453 |
| **Shareholder's funds** | 20 | | **197,347** | | 215,589 |

The accompanying notes form an integral part of this balance sheet

Included in debtors are amounts due after more than one year of £3,600,000 (2007 £2,814,000)

These financial statements were approved by the Board of Directors on 15 March 2010 and were signed on its behalf by

R.N. Batkin
**R.N. Batkin**
**Director**

Company number 509133

## AGCO LIMITED

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2008

| | Note | **2008** | 2007 |
|---|---|---|---|
| | | **£'000** | £'000 |
| **Profit for the financial year** | | **3,303** | 4,552 |
| Actuarial (loss)/ gain recognised in the pension scheme | 22 | **(29,924)** | 33,400 |
| Deferred tax arising on loss/ (gains) in the pension scheme | | **8,379** | (10,020) |
| **Total recognised gains and losses relating to the financial year** | 20 | **(18,242)** | 27,932 |

AGCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008

## 1. Accounting policies

The followıng accountıng polıcıes have been applıed consıstently ın dealıng wıth ıtems whıch are consıdered materıal ın relatıon to the financıal statements

The amendment to FRS 17 'Retırement benefits' has been adopted in these financıal statements for the first tıme and the dısclosures ıt requıres have been presented for both the current and comparatıve perıod The amendment to FRS 17 also requıres that quoted securıtıes are valued at theır current bıd-prıce rather than theır mıd-market value, no prıor year adjustment ıs requıred for the year ended 31 December 2007 balances as the valuatıons were calculated at bıd-price

*Goıng concern*

The company's busıness actıvıtıes, together wıth the factors lıkely to affect ıts future development, performance and posıtıon are set out ın the Busıness Revıew on pages 2 to 3 The dırectors have a reasonable expectatıon that the company has adequate resources to continue ın operatıonal exıstence for the foreseeable future Thus they contınue to adopt the goıng concern basıs of accountıng ın preparıng the annual financıal statements

**Basis of preparation**

The financıal statements have been prepared ın accordance wıth applıcable accountıng standards and under the hıstorıcal cost convention

The company ıs a wholly owned subsıdıary of AGCO Corporatıon, whıch ıs established under the law of the United States of Amerıca AGCO Corporatıon ıs requıred to publısh consolıdated financıal statements ıncorporatıng the results of AGCO Lımıted and consequently, ın accordance wıth Fınancıal Reportıng Standard No 1, no cash flow statement ıs ıncluded in these financıal statements.

AGCO Limıted ıs exempt under sectıon 228A of the Companıes Act 1985 from the requirement to prepare group financıal statements The financıal statements therefore present ınformatıon about the company as an ındıvıdual undertakıng and not about ıts group The company ıs consolıdated wıthın the consolıdated financıal statements of AGCO Corporatıon Copıes of the consolıdated financıal statements of AGCO Corporatıon may be obtaıned from 4205 Rıver Green Parkway, Duluth, Georgıa, 30096

**Acquisitions**

The results of any busınesses acquıred durıng the year are ıncluded from the effectıve date of acquısıtıon usıng the acquısıtıon method of accountıng The purchase consıderatıon ıs allocated to assets and liabılıtıes on the basıs of faır value at the date of acquısıtıon

**Foreign currency translation**

Monetary assets and lıabılıtıes denomınated in foreıgn currencıes are translated at the rate of exchange rulıng at the balance sheet date Transactıons ın foreıgn currencıes are recorded at the rate rulıng at the date of the transactıon All exchange dıfferences are taken to the profit and loss account

**Turnover**

Turnover represents net ınvoıced sales of goods and servıces, excludıng value added tax and is shown net of dıscounts

## 1. Accounting policies (continued)

### Tangible fixed assets

Tangible fixed assets are stated at cost net of depreciation and any provision for impairment

Depreciation is provided on a straight-line basis in order to write off the cost less estimated residual value of all tangible fixed assets, over their estimated useful lives The principal rates used are as follows

| | | |
|---|---|---|
| Leasehold improvements | - | 5% |
| Plant and equipment | - | 5% - 33% |
| Production tooling | - | 20% |

Depreciation is not provided on assets in the course of construction

### Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet Those held under hire purchase contracts are depreciated over their estimated useful lives Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is shorter

The interest element of these obligations is charged to the profit and loss account over the relevant period The capital element of the future payments is treated as a liability

Rentals paid under operating leases are charged to the profit and loss account on a straight line basis to the period of the next rental increase

### Investments

Fixed asset investments are stated at cost less provision for impairment

### Research and development

All expenditure on research and development is written off as incurred, except that development expenditure incurred on an individual project is carried forward only when its future recoverability can be foreseen with reasonable assurance Any expenditure carried forward is amortised over the life of the related project

### Stocks

Stocks are stated at the lower of cost and estimated net realisable value Cost comprises materials and overheads attributable to the stage of delivery reached Provision is made for obsolete, slow-moving or defective items where appropriate

### Warranty

Provision is made for the estimated liability in respect of all products still under contractual one year warranty Up to a further 48 months of extended warranty may be purchased and this income is recognised over the period of the extended warranty

## 1. Accounting policies (continued)

### Taxation

The charge for taxation is based on the profit for the year and takes into account deferred taxation (see below)

Current tax, including foreign tax where appropriate, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date

Deferred taxation is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen, but not reversed, by the balance sheet date, except as where otherwise required by Financial Reporting Standard No 19

### Pensions

The company operates a defined contribution pension The assets of the scheme are held separately from those of the company in an independently administered fund The amount charged to the profit and loss account represents the contributions payable to the scheme in respect of the accounting period

The company also operates a pension scheme providing benefits based on final pensionable pay The assets of the scheme are held separately from those of the company Pension scheme assets are measured using market values For quoted securities the current bid price is taken as market value Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent terms and currency to the liability

The pension scheme surplus (to the extent that it is recoverable) or deficit is recognised in full The movement in the scheme surplus/deficit is split between operating charges, finance items and in the statement of total recognised gains and losses, actuarial gains and losses

### Share based payments

The shared based compensation plans allow certain employees to acquire shares of AGCO Corporation The fair value of the shares/options granted is charged as an employee expense. The fair value is measured at the grant date and spread over the period during which the employees become unconditionally entitled to the shares/options The fair value is based on either market value at grant date or the Black Scholes option pricing model depending on the plan (see note 25 for details) The Black Scholes model takes into account the terms and conditions upon which the options were granted The amount recognised as an expense is adjusted to reflect the estimated number of shares/options that are expected to vest except where forfeiture is only due to 'total shareholder return' targets not being achieved

The transitional provisions of FRS 20 allow for no expense to be recorded in respect of grants made under the above schemes prior to 7 November 2002 These schemes were only introduced during 2006

## 2. Turnover

Turnover represents amounts invoiced for goods and services supplied by the company excluding value added tax and is analysed by geographical market supplied to as follows

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | £'000 | % | £'000 | % |
| Rest of Europe | **226,705** | **43** | 218,457 | 43 |
| United Kingdom | **220,602** | **41** | 162,027 | 33 |
| Africa | **42,906** | **8** | 58,079 | 12 |
| Asia | **29,317** | **5** | 37,894 | 8 |
| Australasia | **1,950** | **1** | 8,570 | 2 |
| North America | **4,728** | **1** | 4,638 | 1 |
| South America | **2,559** | **1** | 2,078 | 1 |
| | **528,767** | **100** | 491,743 | 100 |

The Directors consider there to be one class of business All turnover both domestic and international arises from activities within the United Kingdom

## 3. Other operating income

| | 2008 | 2007 |
|---|---|---|
| | £'000 | £'000 |
| Management fees | **15,472** | 18,133 |

## 4. Net interest receivable and similar income

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Interest receivable | **14,135** | 15,730 |
| Less interest payable and similar charges | **(2,879)** | (4,180) |
| | **11,256** | 11,550 |

The above amounts are analysed as follows

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Interest payable and similar charges | | |
| Bank loans and overdraft | **1,369** | 3,144 |
| Finance lease interest | **81** | 50 |
| Other interest payable to third parties | **1,082** | 986 |
| Interest payable to group undertakings | **347** | - |
| | **2,879** | 4,180 |
| Interest receivable | | |
| Interest receivable from third parties | **67** | 125 |
| Interest receivable from group undertakings | **14,068** | 15,605 |
| | **14,135** | 15,730 |

## 5. Other finance charges

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Expected return on pension scheme assets | **(15,220)** | (17,000) |
| Interest on pension scheme liabilities | **18,494** | 18,300 |
| | **3,274** | 1,300 |

## 6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following

| | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| Depreciation - owned assets | **1,133** | 1,056 |
| Depreciation - assets held under finance lease contracts | **599** | 494 |
| Research and development expenditure | **615** | 1,602 |
| Foreign exchange losses | **10,138** | 4,695 |
| Hire of other assets – operating leases | **3,263** | 3,000 |
| Hire of plant and machinery – rentals payable under operating leases | **8** | 96 |
| Auditors' remuneration | | |
| - Audit of these financial statements | **147** | 120 |
| - Amounts receivable by the auditors and their associates in respect of | | |
| Other services pursuant to legislation | **261** | 212 |
| Share of group Sarbanes Oxley compliance | **158** | 128 |

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's parent, AGCO Corporation

## 7. Directors' emoluments

The remuneration of the directors, (excluding pension contributions), was £492,545 Pension contributions made by the company totalled £71,413 Total emoluments therefore amounted to £563,958. Emoluments of the highest-paid director are as follows

| | **2008** |
|---|---|
| | **£'000** |
| Aggregate emoluments excluding pension contributions | **202** |
| Aggregate value of any company contributions paid to a pension scheme in respect of qualifying services | **35** |
| | **237** |

Two of the directors who held office at 31 December 2008 are members of a defined benefit scheme

No director received emoluments from the company during 2007 The emoluments received by the company's directors in respect of their services as directors to AGCO International Limited are disclosed in the financial statements of that company

## 8. Staff costs

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

| | 2008 Number | 2007 Number |
|---|---|---|
| Selling | 191 | 254 |
| Administration | 472 | 385 |
| | 663 | 639 |

The aggregate payroll costs of these persons were as follows

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Wages and salaries | 21,714 | 21,128 |
| Share based payments (see note 25) | 2,026 | 1,532 |
| Social security costs | 2,243 | 2,397 |
| Other pension costs | 1,554 | 2,913 |
| | 27,537 | 27,970 |

## 9. Tax on profit on ordinary activities

Analysis of the tax charge for the year

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| **Current tax:** | | | | |
| *UK corporation tax* | | | | |
| Payment for group relief | - | | - | |
| Adjustments in respect of previous years | - | | 236 | |
| | | - | | 236 |
| *Foreign tax – charge for current year* | | 89 | | 153 |
| Total current tax (see over) | | 89 | | 389 |
| **Deferred tax:** | | | | |
| Origination and reversal of timing differences | 3,001 | | 4,737 | |
| Impact of rate change | - | | 870 | |
| Adjustment in respect of previous years | (1,344) | | (70) | |
| Total deferred tax (note 17) | | 1,657 | | 5,537 |
| **Tax on profit on ordinary activities** | | 1,746 | | 5,926 |

## 9. Tax on profit on ordinary activities (continued)

*Factors affecting the tax charge for the year*

The corporation tax rate applicable to the company changed from 30% to 28% from 1 April 2008 The company does not make a payment for group relief

The deferred tax assets have been calculated at 28% in accordance with FRS 19 on the assumption that the timing differences will reverse after 1 April 2008

The current tax charge for the year is lower (2007 lower) than the average standard rate of corporation tax during 2008 in the UK of 28 5% (2007 30%) The differences are explained below

| | 2008<br>£'000 | 2007<br>£'000 |
|---|---|---|
| **Current tax reconciliation:** | | |
| Profit on ordinary activities before tax | **5,049** | 10,478 |
| Current tax thereon at 28 5% (2007 30%) | **1,439** | 3,143 |
| *Effects of* | | |
| Net expenses not deductible for tax purposes | **838** | 367 |
| Capital allowances in excess of depreciation | **68** | 1,633 |
| FRS 17 pension timing differences | **(3,433)** | (3,660) |
| Short term timing differences | **(253)** | (3,099) |
| Non taxable financial impacts of FRS 17 | **933** | 390 |
| Foreign tax | **89** | 153 |
| Adjustments to tax charge in respect of previous years | **-** | 236 |
| Group relief for no payment | **408** | 1,226 |
| Total current tax charge (see above) | **89** | 389 |

AGCO LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 10. Tangible fixed assets

| | Leasehold improvements £'000 | Plant and equipment £'000 | Production tooling £'000 | Assets in course of construction £'000 | Total £'000 |
|---|---|---|---|---|---|
| **Cost:** | | | | | |
| At 1 January 2008 | 65 | 20,046 | 2,406 | 769 | 23,286 |
| Additions | - | 2,139 | 960 | 246 | 3,345 |
| Disposals | - | (762) | - | (796) | (1,558) |
| **At 31 December 2008** | **65** | **21,423** | **3,366** | **219** | **25,073** |
| **Depreciation:** | | | | | |
| At 1 January 2008 | 4 | 16,269 | 2,054 | - | 18,327 |
| Charge for year | 3 | 1,510 | 219 | - | 1,732 |
| Disposals | - | (748) | - | - | (748) |
| **At 31 December 2008** | **7** | **17,031** | **2,273** | **-** | **19,311** |
| **Net book value:** | | | | | |
| **At 31 December 2008** | **58** | **4,392** | **1,093** | **219** | **5,762** |
| At 31 December 2007 | 61 | 3,777 | 352 | 769 | 4,959 |

## 10. Tangible fixed assets (continued)

Fixed assets, included in the above, which are held under finance lease contracts are as follows

| | Plant and equipment £'000 |
|---|---|
| **Cost:** | |
| At 1 January 2008 | 1,807 |
| Additions | 908 |
| Disposals | (430) |
| **At 31 December 2008** | **2,285** |
| **Depreciation:** | |
| At 1 January 2008 | 850 |
| Charge for year | 599 |
| Disposals | (430) |
| **At 31 December 2008** | **1,019** |
| **Net book value:** | |
| **At 31 December 2008** | **1,266** |
| At 31 December 2007 | 957 |

## 11. Fixed asset investments

| | Interest in subsidiary undertaking £'000 | Other investments £'000 | Total £'000 |
|---|---|---|---|
| Cost and net book value at 1 January 2008 | 1 | 1,891 | 1,892 |
| Additions | - | 964 | 964 |
| Amounts written off | - | (961) | (961) |
| **Cost and net book value at 31 December 2008** | **1** | **1,894** | **1,895** |

The £961,000 written off during the year relates to the impairment of the investment in AGCO Argentina SA

## 11. Fixed asset investments (continued)

### Interests in subsidiary undertaking

The company owns 100% of the ordinary share capital of Massey Ferguson Staff Pension Trust Limited, a company registered in England and Wales This subsidiary did not trade during the year

### Other investments

| | Principal activity | Country of incorporation | Holding % |
|---|---|---|---|
| AGCO SA | Manufacturing and sale of agricultural tractors | France | 0 05 |
| AGCO Italia Spa | Sale of agricultural tractors | Italy | 1 |
| AGCO Argentina SA | Sale of agricultural machinery | Argentina | 5 |

All holdings are in ordinary shares

The directors are of the opinion that the value of fixed asset investments is at least equal to the amounts at which they are included in the financial statements

## 12. Stocks

| | **2008 £'000** | 2007 £'000 |
|---|---|---|
| Raw material and consumables | **220** | 497 |
| Finished goods and parts | **15,274** | 45,833 |
| | **15,494** | 46,330 |

## 13. Debtors

Amounts falling due within one year

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Trade debtors | **36,410** | 33,578 |
| Amounts owed by group undertakings | **295,124** | 307,871 |
| Other debtors | **1,564** | 1,815 |
| Social security and other taxes | **320** | 349 |
| Prepayments and accrued income | **1,049** | 1,252 |
| Deferred tax asset (see note 17) | **1,318** | 1,305 |
| | **335,785** | 346,170 |

Amounts falling due after more than one year

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Deferred tax asset (see note 17) | **3,600** | 2,814 |
| | **339,385** | 348,984 |

## 14. Creditors: amounts falling due within one year

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Trade creditors | **8,258** | 19,711 |
| Amounts owed to group undertakings | **85,477** | 105,042 |
| Corporation tax payable | **500** | 500 |
| Other creditors | **-** | 5,457 |
| Obligations under finance leases | **485** | 410 |
| Social security and other taxes | **761** | 963 |
| Accruals and deferred income | **30,905** | 30,489 |
| | **126,386** | 162,572 |

## 15. Creditors: amounts falling due after more than one year

| | 2008<br>£'000 | 2007<br>£'000 |
|---|---|---|
| Obligations under finance leases | 765 | 522 |
| Accruals and deferred income | 1,377 | 1,017 |
| | 2,142 | 1,539 |

Finance leases are repayable as follows

| | 2008<br>£'000 | 2007<br>£'000 |
|---|---|---|
| **Obligations under finance leases** | | |
| - between one and two years | 417 | 255 |
| - between two and five years | 348 | 267 |
| | 765 | 522 |
| On demand or within one year | 485 | 410 |
| | 1,250 | 932 |

## 16. Provisions for liabilities and charges

| | Warranty provisions<br>£'000 |
|---|---|
| At 1 January 2008 | 1,885 |
| Charge to the profit and loss for the year | 1,595 |
| Amounts released unused | (1,707) |
| Utilised during the year | (1,046) |
| **At 31 December 2008** | **727** |

The provision for contractual warranty is calculated as the expected liability on manufactured products on the basis of historical claims experience One year's contractual warranty is offered as standard in most markets (two years in North America) Other rectification provision is made on the expected liability on manufactured products where there is a known failure Provisions for extended warranty are made if the sum of the expected costs exceeds the related revenue

## 17. Deferred taxation

The amount recognised for deferred taxation at 31 December 2008, at a UK corporation tax rate of 28% (2007. 28%) is set out below

| | 2008 | | 2007 | |
|---|---|---|---|---|
| | **£'000** | **£'000** | £'000 | £'000 |
| *Deferred tax asset excluding deferred tax on pension deficit included in debtors due in less than one year (note 13)* | | | | |
| Accelerated capital allowances | **1,199** | | 938 | |
| Short term timing differences | **119** | | 367 | |
| | | **1,318** | | 1,305 |
| *Deferred tax asset excluding deferred tax on pension deficit included in debtors due in more than one year (note 13)* | | | | |
| Accelerated capital allowances | **3,600** | | 2,814 | |
| Short term timing differences | **-** | | - | |
| | | **3,600** | | 2,814 |
| Deferred tax asset excluding deferred tax on pension deficit included in debtors | | **4,918** | | 4,119 |
| Deferred tax asset on pension deficit included in pension liability | | **13,987** | | 8,064 |
| | | **18,905** | | 12,183 |

| | **£'000** |
|---|---|
| Deferred tax asset at 1 January 2008 | 12,183 |
| Charge to the profit and loss account (note 9) | (1,657) |
| Credit for the year in the statement of total recognised gains and losses | 8,379 |
| **At 31 December 2008** | **18,905** |

## 18. Called-up share capital

| | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| **Authorised:** | | |
| 155,000,000 ordinary shares of £1 each | **155,000** | 155,000 |
| **Allotted, called-up and fully-paid:** | | |
| 151,135,779 ordinary shares of £1 each | **151,136** | 151,136 |

## 19. Profit and loss account

| | £'000 |
|---|---|
| At 1 January 2008 | 64,453 |
| Profit for the financial year | 3,303 |
| Actuarial loss recognised in the pension scheme | (29,924) |
| Deferred tax arising on loss in pension scheme | 8,379 |
| **At 31 December 2008** | **46,211** |

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Profit and loss account excluding pension liability | **82,178** | 85,189 |
| Pension liability | **(35,967)** | (20,736) |
| Profit and loss account including pension liability | **46,211** | 64,453 |

## 20. Reconciliation of movements in shareholder's funds

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Profit for the financial year and retained profit | **3,303** | 4,552 |
| Other recognised (losses)/gains relating to the year | **(21,545)** | 23,380 |
| Total recognised gains and losses relating to the year and net addition to shareholder's funds | **(18,242)** | 27,932 |
| Shareholder's funds at 1 January | **215,589** | 187,657 |
| **Shareholder's funds at 31 December** | **197,347** | 215,589 |

## 21. Financial commitments

At 31 December 2008 the company had annual commitments under non-cancellable operating leases for the hire of plant, equipment, land and buildings, and motor vehicles as follows

| | 2008 | 2008 | 2007 | 2007 |
|---|---|---|---|---|
| | Land & Buildings £'000 | Other £'000 | Land & Buildings £'000 | Other £'000 |
| Operating leases which expire | | | | |
| - within one year | 143 | 144 | - | 192 |
| - between one and five years | 13 | 684 | 11 | 823 |
| - greater than five years | 1,213 | 6 | 1,213 | - |
| | 1,369 | 834 | 1,224 | 1,015 |

## 22. Pensions

The company operates a defined contribution pension scheme The pension costs charge for the period represents contributions payable by the company to the scheme and amounted to £474,000 (2007 £430,000) There were no outstanding or prepaid contributions at either the beginning or end of the financial year

The company also operates a pension scheme providing benefits based on final pensionable pay The company has adopted FRS 17 'Retirement Benefits' in these financial statements The latest full actuarial valuation was carried out at 30 September 2005, (previous valuation was at 30 September 2002) and was updated for FRS 17 purposes by a qualified independent actuary as at 31 December 2008, 31 December 2007, 31 December 2006 and 31 December 2005

The major assumptions used for the FRS 17 actuarial valuation were

| | 2008 | 2007 | 2006 |
|---|---|---|---|
| Rate of increase in salaries | 3.8% p.a. | 4 2% p a | 4.0% p a |
| Rate of increase in pensions in payment for pension accrued | | | |
| -before 6 April 1997 | 3.0% p.a. | 3 0% p a | 3 0% p a |
| - 6 April 1997 to 5 April 2004 | 3.5% p.a. | 3 5% p a | 3 4% p a |
| - 6 April 2004 to 5 April 2005 | 2.7% p.a. | 3 2% p a. | 3 0% p a |
| - post 5 April 2005 | 2.0% p.a. | 2 3% p a | 2 3% p a |
| Rate of increase in deferred pensions | 3.2% p.a. | 3 2% p a | 2 9% p a |
| Discount rate | 6.8% p.a. | 5 8% p a | 5.2% p a |
| Rate of inflation | 2.8% p.a. | 3 2% p a. | 3 0% p a |

## 22. Pensions (continued)

The mortality assumptions are based on standard mortality tables which allow for future mortality improvements The assumptions are that a member currently aged 65 will live on average for a further 19 6 years if they are male and for a further 22 7 years if they are female For a member who retires in 2028 at age 65 the assumptions are that they will live on average for a further 20 9 years after retirement if they are male and for a further 23 9 years after retirement if they are female

The assumptions by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice

*Scheme assets/ liabilities*

The fair value of the scheme's assets, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of the scheme's liabilities, which are derived from cash flow projections over long periods and thus inherently uncertain were

| | **Fair value at 31 December 2008 £'000** | Fair value at 31 December 2007 £'000 | Fair value at 31 December 2006 £'000 |
|---|---|---|---|
| Equities | **75,472** | 94,600 | 194,600 |
| Bonds | **81,967** | 92,200 | 88,900 |
| Other | **86,344** | 111,200 | 7,300 |
| Total fair value of assets | **243,783** | 298,000 | 290,800 |
| Present value of scheme liabilities | **(293,737)** | (326,800) | (363,900) |
| Deficit in the scheme | **(49,954)** | (28,800) | (73,100) |
| Related deferred tax asset | **13,987** | 8,064 | 21,930 |
| Net pension liability | **(35,967)** | (20,736) | (51,170) |

The expected rates of return on the assets in the scheme were

| | **2008 %** | 2007 % | 2006 % |
|---|---|---|---|
| Equities | **7.9% p.a.** | 6 8% p a | 6 8% p a |
| Bonds | **4.8% p.a.** | 4 7% p a | 4 7% p a |
| Other | **7.9% p.a.** | 4 8% p a | 4 8% p a |

AGCO Limited employs a building block approach in determining the long-term rate of return on pension plan assets Historical markets are studied and assets with higher volatility are assumed to generate higher returns consistent with widely accepted capital market principles The assumed long-term rate of return on each asset class is set out above The overall expected rate of return on assets is then derived by aggregating the expected return for each asset class over the actual asset allocation for the Scheme at the 31 December 2008

## 22. Pensions (continued)

Analysis of other pension costs charged in arriving at operating profit

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Current service cost | **1,236** | 1,700 |

Analysis of amounts included in other finance charges

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Expected return on pension scheme assets | **(15,220)** | (17,000) |
| Interest on pension scheme liabilities | **18,494** | 18,300 |
| | **3,274** | 1,300 |

Changes to the present value of the defined benefit obligation during year

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Opening defined benefit obligation | **326,800** | 363,900 |
| Current service cost | **1,236** | 1,700 |
| Interest cost | **18,494** | 18,300 |
| Contributions by scheme participants | **700** | 500 |
| Actuarial gains on scheme liabilities | **(35,500)** | (39,100) |
| Net benefits paid out | **(17,993)** | (18,500) |
| **Closing defined benefit obligation** | **293,737** | 326,800 |

Changes to the fair value of scheme assets during the year

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Opening fair value of scheme assets | **298,000** | 290,300 |
| Expected return on scheme assets | **15,220** | 17,000 |
| Actuarial losses on scheme assets | **(65,424)** | (5,200) |
| Contributions by the employer | **13,280** | 13,900 |
| Contributions by scheme participants | **700** | 500 |
| Net benefits paid out | **(17,993)** | (18,500) |
| **Closing fair value of scheme assets** | **243,783** | 298,000 |

## 22. Pensions (continued)

Analysıs of amounts recognısed ın the statements of total recognısed gaıns and losses

| | **2008** | 2007 | 2006 | 2005 | 2004 |
|---|---|---|---|---|---|
| Actual return less expected return on scheme assets (£'000) | **(65,459)** | (5,100) | 1,700 | 26,200 | 7,900 |
| *Percentage of year end scheme assets (%)* | ***26.9*** | *1 7* | *0 6* | *9 4* | *3 2* |
| Experıence (loss)/ gaıns arısıng on scheme lıabılıtıes (£'000) | **(2,143)** | 1,000 | 12,900 | - | 300 |
| *Percentage of present value of year end scheme lıabılıtıes (%)* | ***0.7*** | *0 3* | *3 5* | *0 0* | *0 1* |
| Changes ın assumptıons underlyıng the present value of scheme lıabılıtıes (£'000) | **37,678** | 38,000 | 22,300 | (41,200) | (9,000) |
| *Percentage of present value of year end scheme lıabılıtıes (%)* | ***12.8*** | *11 8* | *6 1* | *10 4* | *2 6* |
| Actuarıal (loss)/ gaın recognısed ın statement of total recognısed gaıns and losses (£'000) | **(29,924)** | 33,900 | 36,900 | (15,000) | (800) |
| *Percentage of present value of year end scheme lıabılıtıes (%)* | ***10.2*** | *10 4* | *10 1* | *3 8* | *0 2* |

The scheme ıs closed to new members and therefore under the projected unıt method the current servıce cost would be expected to ıncrease as the members of the scheme approach retırement

Regular employer contrıbutıons to the Scheme ın 2009 are estımated to be approximately £13,300,000

## 23. Contingent liabilities

The company has entered into a warehouse service agreement for the next financial year which includes the commitment of a fixed warehouse service fee of £2,446,524 (2007 £2,308,056) payable evenly on a monthly basis The agreement includes exit payments where AGCO Limited is liable to pay £250,000 on a reducing balance based on months elapsed from the signing of the agreement and the effective date of termination on 15 December 2012 The company has further commitments in respect of other bonds of £nil (2007 £nil)

The company has counter-indemnified the UK lending banks in respect of HM Revenue and Customs duty deferment guarantees amounting £120,000 (2007 £120,000).

The company has given a counter-indemnity in respect of performance bonds amounting to £491,330 (2007 £573,315) and in respect of bid bonds amounting to £1,100 (2007 £nil)

The company is a party to a global credit agreement together with AGCO Corporation and its major subsidiaries The agreement contains default provisions, which, if breached by AGCO Corporation or any of its major subsidiaries, may cause acceleration of substantially all of the company's indebtedness The company had no indebtedness under the global credit agreement at 31 December 2008 or 31 December 2007 In May 2008 the agreement was renegotiated resulting in the company no longer being a designated borrower

## 24. Related party transactions

AGCO Corporation is required to publish consolidated financial statements incorporating the results of AGCO Limited and consequently, in accordance with FRS 8, transactions with group entities are not disclosed within these financial statements AGCO Corporation is established under the law of the United States of America

Balances with group undertakings are shown in notes 13 and 14

The following transactions and balances are with AGCO Finance Limited – formerly Agricredit Limited (incorporated in the UK), an associated undertaking of the company's ultimate UK parent company (AGCO International Limited), and AGCO Finance Limited – formerly Agricredit Limited (incorporated in Eire), an associated undertaking of a fellow subsidiary

| | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| Amounts owed by AGCO Finance Limited | **1,694** | 3,391 |
| Amounts owed to AGCO Finance Limited | **(88)** | (883) |
| Amounts owed to AGCO Finance Limited (Eire) | **(4)** | (90) |
| Amounts charged to AGCO Finance Limited principally in respect of wholesale financing to AGCO dealerships, net of amounts in respect of financing arrangements | **152,941** | 125,601 |
| Subsidies paid to AGCO Finance Limited (Eire) | **(1,325)** | (1,028) |

## 24. Related party transactions (continued)

The extent of transactions with GIMA SA, a joint venture of a fellow subsidiary undertaking, is summarised below

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Amounts owed by GIMA SA | 3 | - |
| Amounts owed to GIMA SA | (16) | (183) |
| Sales to GIMA SA | 60 | - |
| Purchases from GIMA SA | (873) | (899) |

The extent of transactions with TAFE, an associated undertaking of a fellow subsidiary, is summarised below

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Amounts owed by TAFE | - | 129 |
| Amounts owed to TAFE | - | (16) |
| Sales to TAFE | 429 | 358 |
| Purchases from TAFE | (317) | (773) |

The extent of transactions with AGCO-SM Group, a joint venture of a fellow subsidiary undertaking up until 30 October 2007, is summarised below

| | 2008 £'000 | 2007 £'000 |
|---|---|---|
| Amounts owed by AGCO-SM Group | - | - |
| Amounts owed to AGCO-SM Group | - | (25) |
| Sales to AGCO-SM Group | - | 339 |
| Purchases from AGCO-SM Group | - | - |

## 24. Related party transactions (continued)

The extent of transactions with Laverda Spa, a joint venture of a fellow subsidiary undertaking, and with its subsidiary Gallignani Spa, are summarised below

| | **2008** | 2007 |
|---|---|---|
| | **£'000** | £'000 |
| Amounts owed by Laverda Spa and Gallignani Spa | **-** | - |
| Amounts owed to Laverda Spa and Gallignani Spa | **(2)** | (379) |
| Sales to Laverda Spa and Gallignani Spa | **190** | - |
| Purchases from Laverda Spa and Gallignani Spa | **(10,769)** | (2,099) |

## 25. Employee share schemes

### Share based payments

During the year ended 31 December 2006 the AGCO Corporation Group introduced two share based compensation schemes for employees Certain key employees of subsidiary undertakings are eligible to participate in these schemes

The schemes take different forms and the details of the schemes are provided below:

### Performance Share Plan

During the year ended 31 December 2006 the Group introduced a Performance Share Plan under which eligible employees receive free shares following the end of a three year vesting period providing specified performance conditions are met These conditions are based on targets for the AGCO Corporation Group earnings per share (EPS) and return on capital invested (RoC), as determined by AGCO Corporation's Board of Directors The shares earned are based on the cumulative results over the three year period

Performance periods are consecutive and overlapping three-year cycles and performance targets are set at the beginning of each cycle

Certain senior employees also participate in a transitional three year Performance Share Plan, with annual performance criteria No shares were earned based on the one-year performance period to 31 December 2006 under this transitional plan Based on the performance to 31 December 2007 16,316 shares were earned Based on the performance to 31 December 2008 61,000 shares were earned

The cost of these plans as far as it is charged in the accounts is based on the share price at the grant date and the level of performance achieved For plans under which vesting has yet to occur the costs are based on the Group's estimate of the level of performance

## 25. Employee share schemes (continued)

**Stock Appreciation Rights Plan**

The AGCO Corporation Group also operates a Stock Appreciation Rights Plan. Under this scheme eligible participants are granted awards in the form of Stock Appreciation Rights The Stock Appreciation Rights vest in equal instalments over a four year period

At vesting the Rights become exercisable at the predetermined exercise price, which is set at the date of grant However the Stock Appreciation Rights cannot be exercised later than seven years after the date of vesting On exercise the participants receive the aggregate appreciation in the stock price over the market price at grant, paid in shares of AGCO Corporation.

The fair value of the grants and therefore the cost of the Stock Appreciation Rights charged in the year is estimated using the Black Scholes option pricing model Expected volatility of the actual stock price is determined strictly over the stock price's historical volatility

| Grant date of equity settled award by parent | Performance conditions | Contractual life of shares/options |
|---|---|---|
| Stock Appreciation Rights Plan | | |
| 27 April 2006 | - | 7 years |
| 15 February 2007 | - | 7 years |
| Performance Share Plan | | |
| 27 April 2006 | EPS and RoC performance targets over 3 years * | 3 years |
| 15 February 2007 | EPS and RoC performance targets over 3 years * | 3 years |

* Targets are based on annual criteria for those employees in the transitional performance share plan

**Stock Appreciation Rights Plan**

| | **2008 Weighted average exercise price £** | **2008 Number of options** | 2007 Weighted average exercise price £ | 2007 Number of options |
|---|---|---|---|---|
| Outstanding at the beginning of the year | **15.49** | **57,500** | 12 27 | 29,500 |
| Granted during the year | **30.75** | **6,000** | 18 68 | 29,500 |
| Exercised during the year | **15.47** | **(12,875)** | 11 89 | (1,500) |
| Lapsed during the year | **17.24** | **(2,500)** | - | - |
| Outstanding at the end of the year | **23.78** | **48,125** | 15 49 | 57,500 |
| Exercisable at the end of the year | **19.70** | **7,750** | 11 89 | 5,875 |

At 31 December 2008, the weighted average remaining contractual life of Stock Appreciation Rights outstanding was approximately 5 years (2007 6 years)

## 25. Employee share schemes (continued)

Weighted average assumptions under the Black Scholes option pricing model at the year end were as follows

| | **2008** | 2007 |
|---|---|---|
| Expected life of awards (years) | **5.5** | 5 5 |
| Risk-free interest rate | **2.7%** | 4 7% |
| Expected volatility | **38.0%** | 41 4% |
| Expected dividend yield | - | - |

The fair value as at 31 December 2008 using the Black Scholes model was £12 32 (2007 8 55)

**Performance Share Plan**

| | **2008 Weighted average grant date fair value £** | **2008 Number of options** | 2007 Weighted average grant date fair value £ | 2007 Number of options |
|---|---|---|---|---|
| Outstanding at the beginning of the year | **15.49** | **123,500** | 12 27 | 78,816 |
| Granted during the year | **30.75** | **22,600** | 18 68 | 61,000 |
| Lapsed during the year | **20.17** | **(3,000)** | - | - |
| Earned during the year | **12.84** | **(61,000)** | 11 89 | (16,316) |
| Outstanding at the end of the year | **29.45** | **82,100** | 15 49 | 123,500 |

The weighted average grant date fair value and average contractual life outstanding at the year end were as follows

| | **2008** | 2007 |
|---|---|---|
| Weighted average grant date fair value | **£30.82** | £15 36 |
| Weighted average contractual life (years) | **1** | 2 |

The total expense recognised in the year in respect of the above equity settled share based payment schemes was £2,026,230 (2007 £1,531,664) This charge was included in administrative expenses

## 26. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is AGCO Corporation, a company incorporated in the United States of America Copies of the consolidated financial statements of AGCO Corporation may be obtained from 4205 River Green Parkway, Duluth, Georgia, 30096