

Harley-Davidson Financial Services Europe Limited

Report and Financial Statements

31 December 2002



Harley-Davidson Financial Services Europe Limited

Registered No: 4392735

Director

Ms D F Zarcone

Secretary

Donal Hummer Jr & Peter Sylvester

Auditors

Ernst & Young LLP
400 Capability Green
Luton
Beds
LU1 3LU

Solicitors

Eversheds
115 Colmore Row
Birmingham
B3 3AL

Registered office

115 Colmore Row
Birmingham
B3 3AL

Director's report

The director presents her report and financial statements for the period ended 31 December 2002.

Results and dividends

The loss for the period amounted to £1,664,525. The director does not recommend the payment of any dividends.

Principal activities and review of the business

The company was incorporated on 12 March 2002 and commenced trading on 9 August 2002. The principal activity of the company was to perform financial services and to provide financial products to business and non-business customers.

The director is satisfied with the results of the company for the period.

Director

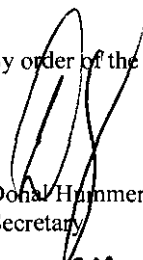
The director at 31 December 2002 is listed on page 1.

There are no director's interests requiring disclosure under the Companies Act 1985.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

By order of the board


Peter Sylvester
Secretary

27 OCT 2003 2003

Statement of director's responsibilities in respect of the financial statements

Company law requires the director to prepare financial statements for each financial year which 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 year. In preparing those financial statements, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable her to ensure that the financial statements comply with the Companies Act 1985. She is 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.

Independent auditors' report

to the members of Harley-Davidson Financial Services Europe Limited

We have audited the company's financial statements for the period ended 31 December 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 12. These financial statements have been prepared on the basis of 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 auditors' 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 director and auditors

As described in the Statement of Director's Responsibilities the company's director is responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Director's Report is not consistent with the financial statements, if 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 director's remuneration and transactions with the company is not disclosed.

We read the Director's 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 United Kingdom Auditing Standards 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 judgements made by the director 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 Harley-Davidson Financial Services Europe Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Luton

27 OCTOBER 2003

Profit and loss account

for the period ended 31 December 2002

	Notes	2002 £
Turnover	2	1,712,924
Cost of sales		733,706
Gross profit		979,218
Administrative expenses		2,713,328
Operating loss	3	(1,734,110)
Interest receivable	5	69,585
Loss on ordinary activities before taxation		(1,664,525)
Tax on loss on ordinary activities	6	—
Loss for the financial period		(1,664,525)

Statement of total recognised gains and losses

There are no recognised gains or losses other than the loss of £1,664,525 attributable to the shareholders for the period ended 31 December 2002.

Balance sheet

at 31 December 2002

	Notes	2002 £
Fixed assets		
Tangible assets	7	301,161
Current assets		
Debtors	8	56,470,918
Cash at bank		4,254,852
		<u>60,725,770</u>
Creditors: amounts falling due within one year	9	59,098,355
Net current assets		<u>1,627,415</u>
Total assets less current liabilities		<u>1,928,576</u>
Capital and reserves		
Called up share capital	10	1
Other reserves	11	3,593,100
Profit and loss account	11	<u>(1,664,525)</u>
Equity shareholders' funds	11	<u>1,928,576</u>

A F Zarcone

Ms D F Zarcone
Director

27 OCTOBER 2003

Notes to the financial statements

at 31 December 2002

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention.

Cash flow statement

Under FRS1 (revised 1996) Cash Flow Statements, Harley-Davidson Financial Services Europe Limited is not required to prepare a cash flow statement.

Related parties transactions

The company has taken advantage of the exemption available under paragraph 3(c) of Financial Reporting Standard No 8: Related Party Disclosures and accordingly has not disclosed transactions with members of the Harley-Davidson Inc. group. There are no other related party transactions.

Fixed assets

All fixed assets are initially recorded at cost.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Plant & machinery	- over 3 years
Fixtures & fittings	- over 5 years

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Operating lease agreements

Rentals payable under operating leases are charged in the Profit and Loss Account on a straight line basis over the lease term.

Pensions

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. No contributions were outstanding at the year end.

Notes to the financial statements

at 31 December 2002

2. Turnover

Turnover comprises the value of sales (excluding VAT and trade discounts) of goods and services in the normal course of business.

Turnover relates to the one continuing activity, that of the provision of financial services.

3. Operating loss

This is stated after charging/(crediting):

	2002 £
Auditors' remuneration - audit services	25,000
- non-audit services	5,000
	<u>30,000</u>
Depreciation of owned fixed assets	<u>69,913</u>
Net profit on foreign currency translation	<u>(22,742)</u>

4. Staff costs

	2002 £
Wages and salaries	1,674,828
Social security costs	80,661
Other pension costs	41,431
	<u>1,796,920</u>

5. Interest receivable

	2002 £
Bank interest receivable	<u>69,585</u>

Notes to the financial statements

at 31 December 2002

6. Tax

Factors affecting current tax charge

The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK of 30%. The differences are reconciled below:

	2002 £
Loss on ordinary activities before taxation	(1,664,525)
Loss on ordinary activities at the standard rate of tax	(499,358)
Expenses not deductible for tax	(2,588)
Accelerated capital allowances in advance of depreciation	11,517
Short term timing differences	490,429
Total current tax	—

Deferred tax asset

The deferred taxation asset not recognised in the accounts is as follows:

	2002 £
Capital allowances in advance of depreciation	11,517
Tax losses available	490,429
	501,946

7. Tangible fixed assets

	<i>Plant & machinery</i> £	<i>Fixtures & fittings</i> £	<i>Total</i> £
Cost:			
Additions	299,048	46,617	345,665
At 31 December 2002	299,048	46,617	345,665
Depreciation:			
Provided during the period	42,952	1,552	44,504
At 31 December 2002	42,952	1,552	44,504
Net book value:			
At 31 December 2002	256,096	45,065	301,161

Notes to the financial statements

at 31 December 2002

8. Debtors

	2002 £
Trade debtors	56,287,910
Other debtors	141,398
Prepayments and accrued income	41,610
	<u>56,470,918</u>

9. Creditors: amounts falling due within one year

	2002 £
Current instalment due on bank loan	45,404,040
Trade creditors	98,610
Amounts owed to group undertakings	12,709,727
Accruals and deferred income	885,978
	<u>59,098,355</u>

10. Share capital

	Authorised 2002 £
Ordinary shares of £1 each	<u>1,000</u>
	<i>Allotted, called up and fully paid</i>
	No. £
Ordinary shares of £1 each	1 <u>1</u>

11. Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Capital Reserve £	Profit and loss account £	Total share- holders' funds £
Loss for the period	—	—	(1,664,525)	(1,664,525)
New equity share capital subscribed	1	—	—	1
Capital contribution	—	3,593,100	—	3,593,100
At 31 December 2002	<u>1</u>	<u>3,593,100</u>	<u>(1,664,525)</u>	<u>1,928,576</u>

12. Ultimate parent company

The ultimate holding company is Harley-Davidson Inc., incorporated in the state of Wisconsin, USA, which heads up the largest group in which the results of the company are consolidated. The consolidated accounts of this company are available to the public and may be obtained from 3700 W Juneau Avenue, PO Box 653, Milwaukee, WI 53201.