

Registered Company No. 4392735

Harley-Davidson Financial Services Europe Limited

Report and Financial Statements

31 December 2016

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COMPANIES HOUSE

Harley-Davidson Financial Services Europe Limited

Registered No: 4392735

Director

Lawrence G. Hund

Joint Secretaries

R J Seaward

M Bowen

W S Jue

K Roberts

Auditors

Ernst & Young LLP

Apex Plaza

Forbury Rd

Reading

RG1 1YE

Solicitors

Eversheds

115 Colmore Row

Birmingham

B3 3AL

Registered office

115 Colmore Row

Birmingham

B3 3AL

Director's report

Registered No: 4392735

The director presents the report and financial statements for the year ended 31 December 2016.

Results and dividends

The profit for the year amounted to £39,367 (2015: £57,509). The director does not recommend the payment of a dividend (2015: Nil).

Future Developments

The Company plans to continue its principal activity of providing international sales & marketing services to group companies. The ongoing activities have no significant risks or uncertainties attached to them.

The director is satisfied that the results are appropriately stated for the Company for the year.

Director

The director who served during the year was:

Lawrence G. Hund

Disclosure of information to the auditors

So far as the director is aware at the date of approving this report, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. The director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Going concern

The Company has a strong statement of financial position with £4.2 million of cash and no external borrowings. After making enquiries, the director has reasonable expectation that the Company will continue in operational existence for the foreseeable future. Accordingly, the going concern basis for preparing the annual report and financial statements continues to be adopted.

Companies Act 2006 provisions relating to small entities

The director's report has been prepared in accordance with the special provisions in section 415A of the Companies Act 2006 relating to small entities.

By order of the board



Mr Lawrence G. Hund
Director

20 September 2017

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

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

Company law requires the director to prepare financial statements for each financial year. Under that law the director has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 for that period. 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 that disclose with reasonable accuracy at any time the financial position of the Company and to enable him to ensure that the financial statements comply with the Companies Act 2006. He is also responsible for safeguarding the assets of the Company hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent audit report

to the members of Harley-Davidson Financial Services Europe Limited

We have audited the financial statements of Harley-Davidson Financial Services Europe Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, including FRS 102 the financial reporting standards applicable in the United Kingdom and Republic of Ireland).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 company and the company's members as a body the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Director's Responsibilities Statement set out on page 3, the director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including FRS 102 the financial reporting standards applicable in the United Kingdom and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

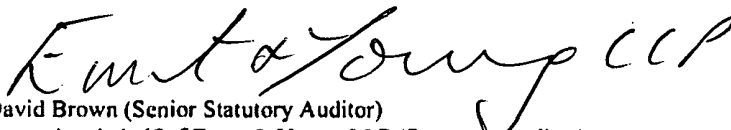
Independent audit report

to the members of Harley-Davidson Financial Services Europe Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the director was not entitled to take advantage of the small companies exemption in preparing the director's report



David Brown (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP (Statutory Auditor)

Reading

27 September 2017

Statement of Comprehensive Income

For the year ended 31 December 2016

	Notes	2016 £	2015 £
Turnover	3	1,793,929	1,779,129
Cost of sales		1,612,764	1,623,091
Gross profit		181,165	156,038
Administrative expenses		103,800	71,318
Other operating loss		27,947	10,653
Operating profit	4	49,418	74,067
Profit on ordinary activities before taxation		49,418	74,067
Tax charge on profit on ordinary activities	6	10,051	16,558
Profit for the financial year		39,367	57,509
Other comprehensive income		-	-
Total comprehensive income for the financial year		39,367	57,509

There are no recognised income or losses other than the comprehensive income of £39,367 (2015: £57,509) attributable to the shareholders for the year. All comprehensive income relates to continuing operations.

Statement of Financial Position
at 31 December 2016

Registered No: 4392735

	Notes	2016 £	2015 £
Current assets			
Debtors	7	235,577	370,591
Cash at bank		4,241,671	4,143,861
		<u>4,477,248</u>	<u>4,514,452</u>
Current liabilities			
Creditors: amounts falling due within one year	8	588,579	683,841
Net current assets		<u>3,888,669</u>	<u>3,830,611</u>
Creditors: amounts falling due after one year	9	34,654	15,963
Net assets		<u>3,854,015</u>	<u>3,814,648</u>
Capital and reserves			
Called up share capital	11	1	1
Other reserves		1,867,519	1,867,519
Profit and loss account		1,986,495	1,947,128
Equity shareholder's funds		<u>3,854,015</u>	<u>3,814,648</u>

These financial statements were approved by the Director on



Mr Lawrence G. Hund
Director

20 September 2017

Statement of Changes in Equity
For the year ended 31 December 2016

Registered No: 4392735

	<i>Share capital</i> £	<i>Capital reserve</i> £	<i>Profit and loss account</i> £	<i>Total share- holder's funds</i> £
At 31 December 2014	1	1,867,519	1,889,619	3,757,139
Comprehensive income for the year	-	-	57,509	57,509
At 31 December 2015	1	1,867,519	1,947,128	3,814,648
Comprehensive income for the year	-	-	39,367	39,367
At 31 December 2016	1	1,867,519	1,986,495	3,854,015

The capital reserve represents capital contributions received in previous years from Harley-Davidson Financial Services International, Inc., and are available for distributions.

Notes to the financial statements

at 31 December 2016

1. Authorisation of financial statements and statement of compliance with FRS 102

The financial statements of Harley-Davidson Financial Services Europe Limited (the "Company") for the year ended 31 December 2016 were authorised for issue by the board of directors on 20 September 2017 and the statement of financial position was signed on the board's behalf by Lawrence G. Hund. The Company is incorporated and domiciled in England, in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and in accordance with applicable accounting standards.

The Company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare group accounts as it is a wholly owned subsidiary of Harley-Davidson Financial Services, Inc.

The results of Harley-Davidson Financial Services Limited are included in the consolidated financial statements of Harley-Davidson Inc., which are available from 3700 W. JunEAU Avenue, Milwaukee, WI 53208.

The principal accounting policies adopted by the Company are set out in Note 2.

2. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards. The financial statements are prepared in British Pounds, which is the functional currency of the company. The Company transitioned from UK GAAP to FRS 102 for all periods presented. There were no material amendments on the adoption of FRS 102.

Strategic report

Under the small companies regime of the Companies Act 2006, the Company is not required to present a strategic report.

Turnover

Turnover relates to the provision of international sales and marketing services to group companies. Revenue is recognized at the time of completion of the services rendered.

Financial Instruments

Under the small companies regime of the Companies Act 2006, the Company is electing to take advantage of the exemption from the requirements of FRS 102 section 11 paragraphs 11.39 to 11.48A and section 12 paragraphs 12.26 to 12.29.

Cash flow statement

Under FRS 102 section 7.1B Harley-Davidson Financial Services Europe Limited is not required to prepare a cash flow statement.

Related parties transactions

The Company has elected to utilize the exemption available under section 33.1A of FRS 102 and accordingly has not disclosed transactions with Harley-Davidson, Inc and subsidiaries. There are no other related party transactions.

Notes to the financial statements

at 31 December 2016

2. Accounting policies (cont.)

Deferred taxation

The tax expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statement and on unused tax losses or tax credits in the Company. Deferred income tax is measured on an undiscounted basis at the tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of the deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit

Management compensation

Under the small companies regime of the Companies Act 2006, the Company is exempt from disclosures related to management compensation

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 statement of financial position date. All differences are recognised in the Statement of Comprehensive Income.

Cash-settled share based payments

The cost of cash-settled transactions is measure at fair value using an appropriate option pricing model. Fair value is established initially at the grant date and at each statement of financial position date thereafter until the awards are settled. During the vesting period a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the statement of financial position date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the statement of financial position date. Changes in the carrying amount for the liability are recognised in profit or loss for the period.

Pensions

The Company provides pension benefits for its employees through a defined contribution pension scheme operated by Harley-Davidson Europe Limited. The assets of the scheme are held separately from those of Harley-Davidson Europe Limited in an independently administered fund.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements may require management to make judgements, 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 revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Management is not aware of any significant judgements, estimates, or assumptions that could have a material effect on the presented financial statements.

Notes to the financial statements

at 31 December 2016

3. Turnover

Turnover relates to the provision of international sales and marketing services to group companies

4. Operating profit

This is stated after charging:

	2016 £	2015 £
Auditors' remuneration - audit services	28,071	23,330
- non-audit services (taxation)	1,257	1,088
	<u>29,328</u>	<u>24,418</u>
Net loss on foreign currency translation	<u>(27,947)</u>	<u>(10,653)</u>

5. Staff costs

	2016 £	2015 £
Wages, salaries and benefits	1,015,746	1,128,389
Social security costs	176,954	157,231
Staff pension contributions	35,537	35,047
	<u>1,228,237</u>	<u>1,320,667</u>

The monthly average number of employees during the year was as follows:

2016 No.	2015 No.
<u>13</u>	<u>14</u>

The director of the company is also an officer of the parent undertaking, Harley Davidson Financial Services, Inc., and his remuneration has been borne by the parent undertaking. The director's services to the company do not occupy a significant amount of his time. As such the director does not consider that he has received any remuneration for his incidental services to the company for the years ended 31 December 2016 and 31 December 2015.

Notes to the financial statements

at 31 December 2016

6. Tax

	2016	2015
Current tax charge	11,553	15,348
Deferred tax (credit)/charge	(1,502)	1,210
Tax charge on profit on ordinary activities	10,051	16,558

Factors affecting current tax charge:

The tax assessed on the profit on ordinary activities for the year is more than the standard rate of corporation tax in the UK of 20% (2015 – 20.25%). The differences are reconciled below:

	2016	2015
Profit on ordinary activities before taxation	49,418	74,067
Tax on ordinary activities at the standard rate of tax	9,884	14,999
Expenses not deductible for tax	–	570
Adjustment in respect of prior period	–	141
Rate change	167	848
Total tax charge	10,051	16,558

Deferred tax

The deferred taxation asset recognised in the accounts is as follows:

	2016	2015
Recognised	£000	£000
Unrelieved tax losses carried forward	6,264	6,264
Other timing differences	2,918	1,416
Total deferred tax asset	9,182	7,680
Unrecognised	2016	2015
£000	£000	£000
–	–	–

The main rate of corporation tax was reduced from 21% to 20% with effect from 1 April 2016, giving an effective tax rate of 20% for the year ended 31 December 2016. The main rate of corporation tax will reduce further to 19% from 1 April 2017 and to 17% from 1 April 2020. The tax rate reduction was substantively enacted in 2016 so deferred tax has been recognised at 18% at 31 December 2016.

Notes to the financial statements

at 31 December 2016

6. Tax (continued)

In the 2016 budget the Chancellor announced that the corporation tax rate would be cut further to 17% from 1 April 2020. As this rate was not substantively enacted at the statement of financial position date, deferred tax has not been measured at this rate

7. Debtors

	2016 £	2015 £
Amounts owed by group undertakings	226,395	362,911
Deferred tax asset	9,182	7,680
	<u>235,577</u>	<u>370,591</u>

The movement in the deferred tax asset in the year is as follows:

At January 1, 2016	7,680
Deferred tax released to the Statement of Consolidated Income	<u>1,502</u>
At December 31, 2016	<u>9,182</u>

8. Creditors: amounts falling due within one year

	2016 £	2015 £
Accruals and deferred income	373,950	542,213
Cash-settled share-based payments	28,354	17,563
Amounts owed to group undertakings	174,970	95,184
Corporation tax	<u>11,305</u>	<u>28,881</u>
	<u>588,579</u>	<u>683,841</u>

9. Creditors: amounts falling due after one year

	2016 £	2015 £
Cash-settled share-based payments	<u>34,654</u>	<u>15,963</u>

Notes to the financial statements

at 31 December 2016

10. Cash-settled share-based payments

The details reported below under IFRS 2 relate to restricted stock units (RSUs) granted by the parent company, Harley-Davidson Inc., to officers and other management employees of this Company for services rendered to this Company.

Restricted stock units

The Company has a stock compensation plan under which it may grant equity awards including Restricted Stock Units (RSUs).

RSUs issued under the plan vest over three years and are settled in cash upon vesting. The cash payment at settlement for each RSU is equal to the market price of one share of Harley-Davidson Inc. common stock. The Company maintains a liability for all unvested RSUs and dividend equivalents are paid on all unvested RSUs.

The following table includes award activity during 2016:

	<i>RSUs No.</i>
Beginning	1,485
Granted	1,292
Cancelled/Transferred	(0)
Vested and exercised	(766)
Outstanding	<u>2,011</u>
Period-end weighted-average fair value of awards granted during the period	\$56

The fair value of RSUs is equivalent to the market price of Harley-Davidson Inc. common stock on the grant date.

Notes to the financial statements

at 31 December 2016

11. Share capital

	2016 £	2015 £
Ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid</i>		
	2016 £	2015 £
No.	No.	No.
Ordinary shares of £1 each	1	1

12. Pension commitments

The Company provides pension benefits for its employees through a defined contribution pension scheme operated by Harley-Davidson Europe Limited. The assets of the scheme are held separately from those of Harley-Davidson Europe Limited in an independently administered fund. Contributions charged to the Statement of Comprehensive Income are shown under Note 5 - Staff Costs. There were no prepaid or unpaid contributions at the statement of financial position date.

13. Ultimate parent company

The ultimate parent 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, Milwaukee, WI 53208. The smallest group in which the results of the Company are consolidated is Harley-Davidson Financial Services, Inc., a wholly owned financial services subsidiary of Harley-Davidson, Inc.