

Registered Company No. 4392735

Harley-Davidson Financial Services Europe Limited

Report and Financial Statements

31 December 2018

WEDNESDAY



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COMPANIES HOUSE

Harley-Davidson Financial Services Europe Limited

Registered No: 4392735

Director

Lawrence G. Hund

Joint Secretaries

K Roberts

C Sanders

E Baker

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 2018.

Results and dividends

The profit for the year amounted to £81,862 (2017: £89,446). The director does not recommend the payment of a dividend (2017: 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 £5.2 million of cash and no external borrowings. After making enquiries, the director has confirmed the commitment of the Group to continue with the current reimbursement agreement in place between Harley-Davidson Financial Services, International, Inc. and Harley-Davidson Financial Services Europe Limited and has confirmed that there are no indications of this agreement being terminated. Based on this, the director has reasonable expectation that the Company will continue in operational existence for the foreseeable future.

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

30 August 2019

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 auditor's report

to the members of Harley-Davidson Financial Services Europe Limited

Opinion

We have audited the financial statements of Harley-Davidson Financial Services Europe Limited for the year ended 31 December 2018 which comprise the Statement of Financial Position, the Statement of Comprehensive Income, the Statement of Changes in Equity and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as of 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The director is responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report

to the members of Harley-Davidson Financial Services Europe Limited

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the director's report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the director's report.

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

- adequate accounting records have not been kept 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 director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of director

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, and for such internal control as the director determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

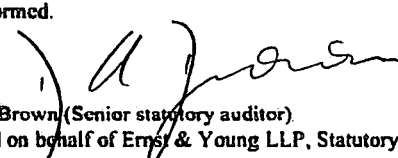
Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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 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.


David Brown (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Reading

2-09-2019

Statement of Comprehensive Income
For the year ended 31 December 2018

	Notes	2018 £	2017 £
Turnover	3	2,495,644	2,058,727
Staff costs		1,661,024	1,345,982
Other external charges		715,780	614,710
Other operating loss (income)		17,917	(13,663)
Operating Income	4	100,923	111,698
Profit on ordinary activities before taxation		100,923	111,698
Tax charge on profit on ordinary activities	6	19,061	22,252
Profit for the financial year		81,862	89,446
Other comprehensive income		-	-
Total comprehensive income for the financial year		81,862	89,446

There are no recognised income or losses other than the comprehensive income of £81,862 (2017: £89,446) attributable to the shareholders of the company in the year. All comprehensive income relates to continuing operations.


Harley-Davidson Financial Services Europe Limited

Statement of Financial Position at 31 December 2018

Registered No: 4392735

	Notes	2018 £	2017 £
Current assets			
Debtors	7	331,115	309,384
Cash at bank		5,181,895	4,366,372
		<u>5,513,010</u>	<u>4,675,756</u>
Current liabilities			
Creditors: amounts falling due within one year	8	1,436,907	701,552
Net current assets		<u>4,076,103</u>	<u>3,974,204</u>
Creditors: amounts falling due after one year	9	50,780	30,743
Net assets		<u>4,025,323</u>	<u>3,943,461</u>
Capital and reserves			
Called up share capital	11	1	1
Other reserves		1,867,519	1,867,519
Profit and loss account		<u>2,157,803</u>	<u>2,075,941</u>
Equity shareholder's funds		<u>4,025,323</u>	<u>3,943,461</u>

These financial statements were approved by the Director on *August 30, 2019*



Mr Lawrence G. Hund
Director

30 August 2019

Harley-Davidson Financial Services Europe Limited

Statement of Changes in Equity For the year ended 31 December 2018

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 2016	1	1,867,519	1,986,495	3,854,015
Comprehensive income for the year	-	-	89,446	89,446
At 31 December 2017	1	1,867,519	2,075,941	3,943,461
Comprehensive income for the year	-	-	81,862	81,862
At 31 December 2018	1	1,867,519	2,157,803	4,025,323

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 2018

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 2018 were authorised for issue by the board of directors on 30 August 2019 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 (FRS 102) and in accordance with applicable accounting standards.

The results of Harley-Davidson Financial Services Europe Limited are included in the consolidated financial statements of Harley-Davidson Inc., which are available from 3700 W. Juncau 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. As explained in the director's report, the director believes it is appropriate to continue to adopt the going concern basis in preparing the financial statements.

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 fellow wholly-owned subsidiaries. There are no other related party transactions.

Notes to the financial statements at 31 December 2018

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 measured 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 2018

3. Turnover

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

4. Operating profit

This is stated after charging:

	2018 £	2017 £
Auditors' remuneration - audit services	25,999	26,794
- non-audit services (taxation)	1,017	1,200
	<u>27,016</u>	<u>27,994</u>
Net (loss) gain on foreign currency translation	(17,917)	13,663

5. Staff costs

	2018 £	2017 £
Wages and salaries	1,294,628	1,082,648
Social security costs	265,285	187,556
Staff pension contributions	48,263	37,517
Share-based payments	52,848	38,261
	<u>1,661,024</u>	<u>1,345,982</u>

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

2018 No.	2017 No.
16	15

Harley-Davidson Financial Services, Inc. paid the director's remuneration and has not recharged any amount to the Company as the services provided to the company do not occupy a significant amount of his time in 2018 (2017: Nil).

Notes to the financial statements

at 31 December 2018

6. Tax

	2018 £	2017 £
Current tax charge	15,958	23,559
Deferred tax charge (credit)	3,103	(1,307)
Tax charge on profit on ordinary activities	19,061	22,252

Factors affecting current tax charge:

The tax assessed on the profit on ordinary activities for the year is less than the standard rate of corporation tax in the UK of 19% (2017 – 19.25%). The differences are reconciled below:

	2018 £	2017 £
Profit on ordinary activities before taxation	100,923	111,698
Tax on ordinary activities at the standard rate of tax	19,175	21,502
Rate change	(114)	750
Total tax charge	19,061	22,252

Deferred tax

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

	Recognised		Unrecognised	
	2018 £000	2017 £000	2018 £000	2017 £000
Unrelieved tax losses carried forward	5,916	5,916	–	–
Other timing differences	29	3,132	–	–
Total deferred tax asset	5,945	9,048	–	–

The main rate of corporation tax was 19% for the year ended 31 December 2018. The main rate of corporation tax will reduce further to 17% starting 1 April 2020. This rate reduction was substantively enacted in 2017 so deferred tax has been recognised at 17% at 31 December 2018.

Notes to the financial statements

at 31 December 2018

7. Debtors

	2018 £	2017 £
Amounts owed by group undertakings	325,170	300,336
Deferred tax asset	5,945	9,048
	<u>331,115</u>	<u>309,384</u>

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

At January 1, 2018	9,048
Deferred tax released	(3,103)
At December 31, 2018	<u>5,945</u>

8. Creditors: amounts falling due within one year

	2018 £	2017 £
Accruals and deferred income	543,566	461,054
Cash-settled share-based payments	28,812	27,815
Amounts owed to group undertakings	848,458	190,813
Corporation tax	16,071	21,870
	<u>1,436,907</u>	<u>701,552</u>

9. Creditors: amounts falling due after one year

	2018 £	2017 £
Cash-settled share-based payments	50,780	30,743

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).

Notes to the financial statements

at 31 December 2018

10. Cash-settled share-based payments (cont.)

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 2018:

	RSUs No.
Beginning	2,539
Granted	3,212
Cancelled/Transferred	-
Vested and exercised	(1,009)
Outstanding	<u>4,742</u>
Period-end weighted-average fair value of awards granted during the period	\$37

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

11. Share capital

	2018 £	2017 £
Ordinary shares of £1 each	1,000	1,000
<i>Allotted, called up and fully paid</i>		
	2018 No. £	2017 No. £
Ordinary shares of £1 each	1 1	1 1

Notes to the financial statements
at 31 December 2018

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.