

Registered Company No. 4392735

Harley-Davidson Financial Services Europe Limited

Annual Report and Financial Statements

31 December 2019

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Harley-Davidson Financial Services Europe Limited

Registered No: 4392735

Director

Lawrence G. Hund (resigned 20 April 2020)
Jonathan Root (appointed 20 April 2020)

Joint Secretaries

K Roberts
W Jue

Auditors

Ernst & Young LLP
Bedford House
16 Bedford Street
Belfast
BT2 7DT

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 annual report and audited financial statements for the year ended 31 December 2019.

Results and dividends

The profit for the year amounted to £116,537 (2018: £81,862). The director does not recommend the payment of a dividend (2018: £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 and up to the date of approval of these financial statements was:

Lawrence G. Hund (resigned 20 April 2020)

Jonathan Root was appointed as director on 20 April 2020 – after the year end

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 £5.3 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 a period of at least twelve months from the date of the director's report.

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. The directors have taken advantage of the small companies exemption provided by Section 414B of the Companies Act 2006 not to provide a Strategic Report.

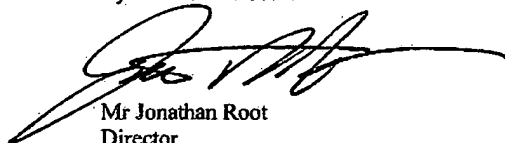
Auditor

Under section 487(2) of the Companies Act 2006, Ernst & Young LLP will be deemed to have been reappointed as auditor 28 days after these financials statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

Post balance sheet events

Due to the nature of the Company's business, COVID-19 has not resulted in significant adjustments post the balance sheet date and through the date of this report.

By order of the board



Mr Jonathan Root
Director

01 September 2020

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; 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 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 2019 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 14, 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 2019 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.

Emphasis of Matter – Covid-19

We draw attention to note 2 "Going Concern" and note 14 "COVID-19" of the financial statements, which describes the impacts the company is facing as a result of COVID-19. Our opinion is not modified in respect of this matter.

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.

Independent auditor's report

to the members of Harley-Davidson Financial Services Europe Limited

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.

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; or
- the director was not entitled to take advantage of the small companies exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

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.


Independent auditor's report

to the members of Harley-Davidson Financial Services Europe Limited

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.



Neil Corry (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast

Date: 02 SEPTEMBER 2020

Statement of Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 £	2018 £
Turnover	3	2,284,157	2,495,644
Staff costs	5	1,518,947	1,661,024
Other external charges		656,441	715,780
Other operating (income) loss		(33,704)	17,917
Operating profit	4	142,473	100,923
Profit on ordinary activities before taxation		142,473	100,923
Tax charge on profit on ordinary activities	6	25,936	19,061
Profit for the financial year		116,537	81,862
Other comprehensive income		-	-
Total comprehensive income for the financial year		116,537	81,862

The accompanying notes are an integral part of these financial statements.

There are no recognised income or losses other than the comprehensive income of £116,537 (2018: £81,862) attributable to the shareholders of the company in the year. All comprehensive income relates to continuing operations.

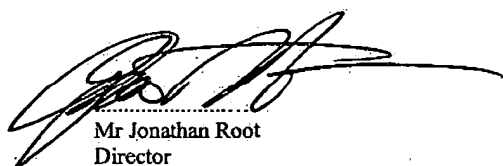
Statement of Financial Position
at 31 December 2019

Registered No: 4392735

	Notes	2019 £	2018 £
Current assets			
Debtors	7	332,427	331,115
Cash at bank		<u>5,316,065</u>	<u>5,181,895</u>
		<u>5,648,492</u>	<u>5,513,010</u>
Current liabilities			
Creditors: amounts falling due within one year	8	<u>1,439,894</u>	<u>1,436,907</u>
Net current assets		<u>4,208,598</u>	<u>4,076,103</u>
Creditors: amounts falling due after one year	9	<u>66,738</u>	<u>50,780</u>
Net assets		<u>4,141,860</u>	<u>4,025,323</u>
Capital and reserves			
Called up share capital	11	1	1
Capital reserve		<u>1,867,519</u>	<u>1,867,519</u>
Profit and loss account		<u>2,274,340</u>	<u>2,157,803</u>
Equity shareholder's funds		<u>4,141,860</u>	<u>4,025,323</u>

The accompanying notes are an integral part of these financial statements.

These financial statements were approved by the Director on 01 September 2020:



Mr Jonathan Root
Director

Statement of Changes in Equity
For the year ended 31 December 2019

Registered No: 4392735

	<i>Called up share capital</i> £	<i>Capital reserve</i> £	<i>Profit and loss account</i> £	<i>Total share- holder's funds</i> £
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
Comprehensive income for the year	-	-	116,537	116,537
At 31 December 2019	1	1,867,519	2,274,340	4,141,860

The accompanying notes are an integral part of these financial statements.

The capital reserve represents capital contributions received in previous years from Harley-Davidson Financial Services International, Inc., and are available for distributions. The profit and loss account holds the profits and losses of the Company, after the deduction of any dividends paid in the period.

Notes to the financial statements

at 31 December 2019

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 2019 were authorised for issue by the board of directors on 01 September 2020 and the statement of financial position was signed on the board’s behalf by Jonathan Root. The Company is incorporated and domiciled in England, in the UK.

The financial statements have been prepared in compliance with United Kingdom Accounting Standards including Financial Reporting Standard 102 (FRS 102) “The Financial Reporting Standard applicable in the UK” and Companies Act 2006.

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. 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.

Going concern

The Company has a strong statement of financial position with £5.3 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 a period of at least twelve months from the date of the director’s 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 2019

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 2019

3. Turnover

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

4. Operating profit

This is stated after charging:

	2019 £	2018 £
Auditors' remuneration - audit services	26,956	25,999
- non-audit services (taxation)	1,054	1,017
	<u>28,010</u>	<u>27,016</u>
Net (loss) gain on foreign currency translation	<u>33,704</u>	<u>(17,917)</u>

5. Staff costs

	2019 £	2018 £
Wages and salaries	1,153,229	1,294,628
Social security costs	233,533	265,285
Staff pension contributions	41,349	48,263
Share-based payments	90,836	52,848
	<u>1,518,947</u>	<u>1,661,024</u>

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

2019 No.	2018 No.
<u>16</u>	<u>16</u>

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 2019 (2018: £Nil).

Notes to the financial statements

at 31 December 2019

6. Tax

Tax charge on profit on ordinary activities

	2019 £	2018 £
Current tax charge	22,348	15,958
Deferred tax charge	4,023	3,103
Prior period adjustment	(435)	–
Tax charge on profit on ordinary activities	<u>25,936</u>	<u>19,061</u>

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% (2018 – 19%). The differences are reconciled below:

	2019 £	2018 £
Profit on ordinary activities before taxation	<u>142,473</u>	<u>100,923</u>
Tax on ordinary activities at the standard rate of tax	27,070	19,175
Rate change	(699)	(114)
Prior period adjustment	(435)	–
Total tax charge	<u>25,936</u>	<u>19,061</u>

Deferred tax

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

	<i>Recognised</i>		<i>Unrecognised</i>	
	2019 £000	2018 £000	2019 £000	2018 £000
Unrelieved tax losses carried forward	6,612	5,916	–	–
Other timing differences	4,055	29	–	–
Total deferred tax asset	<u>10,667</u>	<u>5,945</u>	<u>–</u>	<u>–</u>

The main rate of corporation tax was 19% for the year ended 31 December 2019. The deferred tax at 31 December 2018 was recognized at 17%.

Notes to the financial statements

at 31 December 2019

7. Debtors

	2019 £	2018 £
Amounts owed by group undertakings	321,760	325,170
Deferred tax asset	10,667	5,945
	<u>332,427</u>	<u>331,115</u>

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

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

At January 1, 2019	5,945
Deferred tax addition	<u>4,722</u>
At December 31, 2019	<u>10,667</u>

8. Creditors: amounts falling due within one year

	2019 £	2018 £
Accruals and deferred income	396,991	543,566
Cash-settled share-based payments	58,216	28,812
Amounts owed to group undertakings	951,172	848,458
Corporation tax	<u>33,515</u>	<u>16,071</u>
	<u>1,439,894</u>	<u>1,436,907</u>

Amounts owed to group undertakings are unsecured, interest free and repayable on demand.

9. Creditors: amounts falling due after one year

	2019 £	2018 £
Cash-settled share-based payments	<u>66,738</u>	<u>50,780</u>

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 2019

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 2019:

	<i>RSUs No.</i>
Beginning	4,742
Granted	2,839
Cancelled/Transferred	-
Vested and exercised	(1,715)
Outstanding	<u>5,866</u>
Period-end weighted-average fair value of awards granted during the period	\$38

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

11. Called up share capital

	<i>Allotted, called up and fully paid</i>			
	<i>No.</i>	<i>2019 £</i>	<i>No.</i>	<i>2018 £</i>
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

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 Harley-Davidson Financial Services Europe Limited at the statement of financial position date.

Notes to the financial statements

at 31 December 2019

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.

14. COVID-19

The outbreak of a novel strain of coronavirus (COVID-19) spread throughout the world, and it was recognized as a pandemic in March 2020. This outbreak has severely restricted the level of economic activity around the world, and its full impact is not yet known. However, due to the nature of the Company's business, this has not had a significant impact on operations, and no significant adjustments have been made post the balance sheet date by the Company.