

REGISTERED NUMBER: 02358344 (England and Wales)

**Strategic Report, Directors' Report and
Financial Statements for the Year Ended 31 December 2016
for
HARLEY-DAVIDSON EUROPE LIMITED**

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HARLEY-DAVIDSON EUROPE LIMITED

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HARLEY-DAVIDSON EUROPE LIMITED

Company Information
for the year ended 31 December 2016

Directors:	C Thieme M D McAllister
Registered office:	Oxford Business Park North 6000 Garsington Road Oxford Oxfordshire OX4 2DQ
Registered number:	02358344 (England and Wales)
Auditors:	Ernst & Young LLP Statutory Auditor 400 Capability Green Luton LU1 3LU
Bankers:	The Royal Bank of Scotland N.V. 250 Bishopsgate London EC2M 4AA
Solicitors:	Covington & Burling LLP 265 Strand London WC2R 1BH

HARLEY-DAVIDSON EUROPE LIMITED

Strategic Report
for the year ended 31 December 2016

Principal activity

The principal activity of the company continues to be the importation, distribution and marketing of motorcycles, together with the associated parts, accessories and other products under the Harley-Davidson brand and other marks registered by the parent undertaking. For the full year, the area of operation included the UK and Republic of Ireland, most major European markets and parts of the Middle East and Africa.

Review of the business and future developments

Harley-Davidson Europe Limited continues to operate directly in the UK and Ireland, and through six Limited Risk Distributors appointed to cover the markets of France, Germany and Austria, Italy, Benelux, Switzerland and Spain. These Limited Risk Distributors are sister companies of Harley-Davidson Europe Limited, with the ultimate parent undertaking being Harley-Davidson Inc.

Except for the above markets, sales to other markets in Europe, the Middle East and Africa are arranged through a network of independent distributors and dealers which are supported from the UK head office.

The directors consider the results to be satisfactory, recognising the continuing volatile economic environment and its impact upon retail behaviour of discretionary spend on premium branded products. The directors continue to be committed to further expansion of our markets in Europe, the Middle East and Africa, through the development of the dealer network and investment in other sales and marketing activities.

The company's key performance indicators during the year were as follows:-

	2016 €'000	2015 €'000	Change %
Turnover	646,641	574,971	12
Gross Profit	72,808	72,148	1
Profit before tax	20,155	20,890	(4)

The year-over-year growth in revenue was driven largely by a growth in motorcycle unit sales of 8%, strengthened further by a strong mix of sales of higher priced motorcycles, owing to both to the introduction of new product and a growing motorcycle market in the key EU16 countries. Furthermore, the parts, accessories and Motorclothes product areas all achieved year-over-year growth in sales. The static gross profit result was driven primarily by the weakening of the GBP, resulting in lower gross margins from sales in the UK. A weakening of the South African Rand and Russian Rouble also contribute to deteriorating margins. Increased investment in marketing activities and Global organisational design alignment activities drive increased operating expenditure in the year. Costs continue to be a key focus of effective control, with the organisational design alignment activities resulting in a one-time severance related restructuring cost of €1,965,000 in the year.

Principal risks and uncertainties

The company directors monitor risks and uncertainties facing the company. The main risks are considered to be :-

Competitive risk

The heavyweight motorcycle market is highly competitive. Competition in the heavyweight motorcycle market is based upon a number of factors, including price, quality, reliability, styling, product features, customer preference and warranties. The company emphasises quality, reliability and styling in its products and offers a two year warranty for its motorcycles. The company sells its products at wholesale and must rely on a network of independent dealers and distributors to manage the retail distribution of its products.

Credit risk

The company's financial operations are exposed to credit risk on its trade debtors. Credit risk is the risk of loss arising from a failure by a customer to meet the terms of any contract with the company. Credit losses are influenced by general business and economic conditions, as well as contract terms, customer credit profiles and the new and used motorcycle market. Policies are aimed at minimising such losses through credit monitoring procedures.

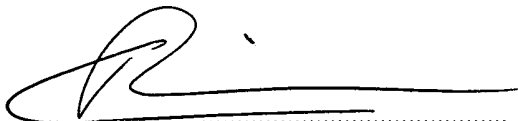
HARLEY-DAVIDSON EUROPE LIMITED

Strategic Report
for the year ended 31 December 2016

Exchange risk

The company is exposed to movements in the Sterling/Euro exchange rate, given that many of the administrative and payroll costs and UK dealer revenues are denominated in Sterling.

On behalf of the board:

A handwritten signature in black ink, consisting of a stylized 'C' followed by a horizontal line.

C Thieme - Director

Date: 24. 7. 2017

Directors' Report
for the year ended 31 December 2016

The directors present their report and financial statements for the year ended 31 December 2016.

Dividends

The directors do not recommend the payment of a final ordinary dividend (2015: €Nil). The directors do not recommend the payment of an interim ordinary dividend (2015: €Nil).

Directors

C Thieme has held office during the whole of the period from 1 January 2016 to the date of this report.

Other changes in directors holding office are as follows:

R N Lindley - resigned 21 December 2016
M D McAllister - appointed 23 December 2016

Going concern

The company's business activities, together with factors likely to affect its future development, its financial position, financial risk management objectives and its exposure to price, credit liquidity and cash flow are described in the Strategic Report. The company and group have considerable financial resources with strong existing relationships with both customers and suppliers across different geographical areas. As a consequence the directors believe that the company is well placed to manage its business risk successfully. After making enquiries, the directors have reasonable expectations that the company and the other group members whom the company depends on for supplies, have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Payment to suppliers

The company views that disclosure of average creditor days is not meaningful, since 95% of purchases are made from intercompany suppliers.

The company agrees terms and conditions for its business transactions with third party suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier.

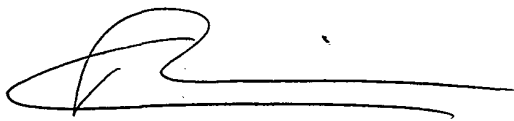
Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each 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.

Auditors

The company has passed an elective resolution to dispense with the holding of annual general meetings and the obligation to appoint auditors annually. Ernst & Young LLP as the present auditors, have been re-appointed for successive years whilst this election remains in force.

On behalf of the board:



C Thieme - Director

Date: 24.7.2017

HARLEY-DAVIDSON EUROPE LIMITED

Statement of Directors' Responsibilities for the year ended 31 December 2016

The directors are responsible for preparing the Strategic Report, 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they 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 judgements and accounting 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 directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are 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 Europe Limited

We have audited the financial statements of Harley-Davidson Europe Limited for the year ended 31 December 2016 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, and Statement of Changes in Equity, and the related notes 1 to 26. 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), FRS 102 "The financial Reporting Standard applicable in the UK 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 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 directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page five, the directors are 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 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 directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Strategic and director 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK 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, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements

Independent Auditors' Report to the Members of
Harley-Davidson Europe Limited

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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, 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.

Ernst & Young LLP

John Dervley (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Statutory Auditor
Luton

Date: *25 July 2017*

HARLEY-DAVIDSON EUROPE LIMITED

Statement of Comprehensive Income
for the year ended 31 December 2016

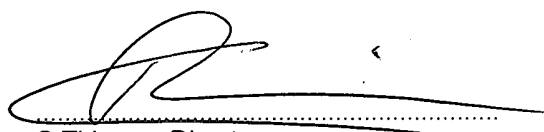
	Notes	2016 €'000	2015 €'000
Turnover	3	646,641	574,971
Cost of sales		(573,833)	(502,823)
Gross profit		72,808	72,148
Distribution costs		(11,473)	(10,672)
Administrative expenses		(41,061)	(40,485)
Operating profit	6	20,274	20,991
Interest receivable and similar income	8	132	82
Interest payable and similar expenses	9	(251)	(183)
Profit before taxation		20,155	20,890
Tax on profit	10	(3,970)	(5,850)
Profit for the financial year		16,185	15,040
Other comprehensive income		-	-
Total comprehensive income for the year		16,185	15,040

The notes form part of these financial statements

Statement of Financial Position
31 December 2016

	Notes	2016 €'000	2015 €'000
Fixed assets			
Intangible assets	12	39	328
Tangible assets	13	510	924
		<u>549</u>	<u>1,252</u>
Current assets			
Stocks	14	80,578	102,598
Debtors	15	118,958	78,395
Cash at bank and in hand		56,389	38,031
		<u>255,925</u>	<u>219,024</u>
Creditors			
Amounts falling due within one year	16	(156,035)	(135,373)
Net current assets		<u>99,890</u>	<u>83,651</u>
Total assets less current liabilities		<u>100,439</u>	<u>84,903</u>
Creditors			
Amounts falling due after more than one year	17	(2,363)	(2,997)
Provisions for liabilities	20	(1,998)	(2,013)
Net assets		<u>96,078</u>	<u>79,893</u>
Capital and reserves			
Called up share capital	21	-	-
Reserves	22	31,776	31,776
Retained earnings	22	64,302	48,117
Shareholders' funds		<u>96,078</u>	<u>79,893</u>

The financial statements were approved by the Board of Directors on 24.7.2017 and were signed on its behalf by:


C Thieme - Director

The notes form part of these financial statements

HARLEY-DAVIDSON EUROPE LIMITED

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

	Retained earnings €'000	Reserves €'000	Total equity €'000
Balance at 1 January 2015	33,077	31,776	64,853
Changes in equity			
Total comprehensive income	15,040	-	15,040
Balance at 31 December 2015	<u>48,117</u>	<u>31,776</u>	<u>79,893</u>
Changes in equity			
Total comprehensive income	16,185	-	16,185
Balance at 31 December 2016	<u><u>64,302</u></u>	<u><u>31,776</u></u>	<u><u>96,078</u></u>

The notes form part of these financial statements

HARLEY-DAVIDSON EUROPE LIMITED

Notes to the Financial Statements
for the year ended 31 December 2016

1. Statutory information

Harley-Davidson Europe Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. Accounting policies

Basis of preparation

Harley-Davidson Europe Limited is a company incorporated in the United Kingdom under the Companies Act

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention. The financial statements are prepared in Euros which is the functional currency of the company. As explained in the Directors' Report, the directors believe it appropriate to continue to adopt the going concern basis in preparing the financial statements.

Financial reporting standard 102 - reduced disclosure exemptions

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 11 Financial Instruments paragraphs 11.39 to 11.48A;
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.29; the requirements of Section 33 related party disclosures paragraph 33.7, from disclosing transactions with other wholly owned entities for the period that form part of the same group,
- and from disclosing the Company's key management personnel compensation.

Turnover

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

Revenue from the sale of goods is recognised when sufficient risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset and includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its estimated useful life, as follows:

Short leasehold improvements	- Shorter of 5 years or remaining useful life
Fixtures, fittings and equipment	- 5 years
Computer equipment and software	- 3 to 4 years

Impairment of non-financial assets

The company assessed at each reporting date whether an asset may be impaired. If any indication arises the relevant asset is assessed. If the carrying amount is greater than the recoverable amount, the amount is impaired to profit or loss.

Stocks

Stocks are stated at the lower of cost incurred in bringing each product to its present location and condition and net realisable value. Provision is made for obsolete, slow-moving and defective items where appropriate.

HARLEY-DAVIDSON EUROPE LIMITED

Notes to the Financial Statements - continued
for the year ended 31 December 2016

2. Accounting policies - continued

Taxation

Taxation for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the statement of financial position date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the statement of financial position date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the year end and that are expected to apply to the reversal of the timing difference.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Warranties for products

A provision is recognised when the company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation.

Product warranty costs are provided for, based upon the estimated warranty cost per unit sold. Warranty costs for Limited Risk Distributors are also funded by the company.

The impact of the time value of money on warranty provisions is not material and therefore the provision is not discounted.

Foreign currency

Transactions denominated in foreign currencies are recorded in the functional currency at actual exchange rates as at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit for the financial year.

Leased assets

Rentals payable under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Pension costs

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable.

2. Accounting policies - continued

Intangible assets

The costs of acquiring and developing software that is not integral to the related hardware is capitalised separately as an intangible asset. This does not include internal website development and maintenance costs which are expensed as incurred unless representing a commercial advantage leading to future economic benefit. Capitalised software costs include purchases of materials and services and payroll-related costs of employees directly involved in the project.

These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of three years.

The amortisation period and amortisation method of intangible assets are reviewed at least at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

Interest Receivable

Finance income is accounted for on an accruals basis and credited to the Income Statement when receivable.

Short term debtors and creditors

Short term debtors and creditors with no stated interest rate are receivable or payable within one year are recorded at transaction price

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 balance sheet 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 balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount for the liability are recognised in profit or loss for the period.

Judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that the actual outcomes could differ from these estimates. The following judgements have had the most significant effect on amounts recognised in the financial statements

Taxation - Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing of future taxable profits together with an assessment of future tax planning strategies.

Provisions - Management assesses the carrying value of debtors, stock and warranty balances based on past losses, current trading patterns and anticipated future events. Furthermore, management assess the need of providing for ongoing legal disputes on a case by case basis, also incorporating assessments of legal counsel.

HARLEY-DAVIDSON EUROPE LIMITED

Notes to the Financial Statements - continued
for the year ended 31 December 2016

3. Turnover

Turnover arises from two principal areas of activity and from three geographical markets.

	2016	2015
Class of Business	€'000	€'000
Motorcycle sales	525,015	455,444
Parts and accessories	114,023	111,482
Other (including Harley-Davidson European Rally)	7,603	8,045
	<u>646,641</u>	<u>574,971</u>

Geographical Area

	2016	2015
Turnover by destination	€'000	€'000
United Kingdom and Republic of Ireland	74,387	72,788
Rest of Europe	535,552	453,308
Rest of World	36,702	48,875
	<u>646,641</u>	<u>574,971</u>

Turnover by origin

	2016	2015
United Kingdom	190,758	194,471
Rest of Europe	455,883	380,500
	<u>646,641</u>	<u>574,971</u>

4. Employees and directors

	2016	2015
	€'000	€'000
Wages and salaries	14,147	11,459
Social security costs	953	1,089
Other pension costs	616	710
	<u>15,716</u>	<u>13,258</u>

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

	2016	2015
Sales and administration	<u>117</u>	<u>125</u>

HARLEY-DAVIDSON EUROPE LIMITED

Notes to the Financial Statements - continued
for the year ended 31 December 2016

5. Directors' emoluments

Directors' remuneration was as follows:

	2016 €'000	2015 €'000
Emoluments	1,893	730
Long Term Incentive Payments	83	146
Contributions to money purchase pension plan	48	67
	<u>2,024</u>	<u>943</u>

Pensions

The number of directors who were members of company pension schemes during the year was as follows:

	2016	2015
Money purchase schemes	<u>2</u>	<u>2</u>

Highest paid director

The total amount payable in respect of emoluments was €1,676,000 (2015: €702,000). The total amount payable in respect of long term incentive payments was €874,000 (2015: €146,000). Company pension contributions of €14,000 (2015: €63,000) were made to a money purchase pension scheme on their behalf.

During 2016, €874,000 (2015: €nil) was payable to one director as compensation for loss of office.

6. Operating profit

The operating profit is stated after charging:

	2016 €'000	2015 €'000
Depreciation	702	651
Amortisation of intangibles	289	327
Exchange loss	954	1,211
Operating lease rentals		
- land and buildings	708	764
- motor vehicles	198	199
Auditors' remuneration		
- audit fees	94	134
- non-audit fees	-	12
Warranty expenses	7,829	7,744
Restructuring costs	<u>1,965</u>	<u>390</u>

7. Restructuring costs

	2016 €'000	2015 €'000
Exceptional items	<u>1,965</u>	<u>390</u>

The increase in restructuring costs in 2016 represent one-time severance related costs, in line with a global organisational design and alignment project.

HARLEY-DAVIDSON EUROPE LIMITED

Notes to the Financial Statements - continued
for the year ended 31 December 2016

8. Interest receivable and similar income

	2016	2015
	€'000	€'000
Interest receivable and similar income	132	82

9. Interest payable and similar expenses

	2016	2015
	€'000	€'000
Bank interest	63	6
Interest payable - intercompany	188	177
	251	183

10. Taxation

Analysis of the tax charge

The tax charge on the profit for the year was as follows:

	2016	2015
	€'000	€'000
Current tax:		
UK corporation tax	3,977	5,586
Deferred tax	(7)	264
Tax on profit	3,970	5,850

UK corporation tax has been charged at 20% (2015 - 20.25%).

Reconciliation of total tax charge included in profit and loss

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below:

	2016	2015
	€'000	€'000
Profit before tax	20,155	20,890
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20.250%)	4,031	4,230
Effects of:		
Expenses not deductible for tax purposes	13	98
Adjustments in respect of prior periods	88	-
Adjustments in respect of prior periods	(162)	1,522
Total tax charge	3,970	5,850

Factors that may affect future tax charges

The main rate of corporation tax was reduced to 20% with effect from 1 April 2015. The rate will reduce further to 19% from 1 April 2017 and to 17% from 1 April 2020. This rate reduction was substantively enacted on 6 September 2016 so deferred tax has been recognised at 17% at 31 December 2016.

HARLEY-DAVIDSON EUROPE LIMITED

Notes to the Financial Statements - continued
for the year ended 31 December 2016

11. Deferred tax

	2016 €'000	2015 €' 000
The provided deferred tax asset is as follows:		
Capital allowances in advance of depreciation	162	75
Other short-term timing differences	366	446
	<u>528</u>	<u>521</u>

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

	€'000
At 1 January 2016	521
Deferred tax charged to the profit and loss account	7
	<u>528</u>
At 31 December 2016	<u>528</u>

12. Intangible fixed assets

	Computer software €'000
Cost	
At 1 January 2016	1,281
Disposals	(67)
	<u>1,214</u>
At 31 December 2016	<u>1,214</u>
Amortisation	
At 1 January 2016	953
Amortisation for year	289
Eliminated on disposal	(67)
	<u>1,175</u>
At 31 December 2016	<u>1,175</u>
Net book value	
At 31 December 2016	<u>39</u>
At 31 December 2015	<u>328</u>

HARLEY-DAVIDSON EUROPE LIMITED

Notes to the Financial Statements - continued
for the year ended 31 December 2016

13. Tangible fixed assets

	Improvements to property €'000	Fixtures and fittings €'000	Motor vehicles €'000	Computer equipment €'000	Totals €'000
Cost					
At 1 January 2016	4,339	3,017	20	1,249	8,625
Additions	-	82	-	206	288
Disposals	-	(39)	-	(137)	(176)
At 31 December 2016	4,339	3,060	20	1,318	8,737
Depreciation					
At 1 January 2016	3,938	2,804	3	956	7,701
Charge for year	401	106	7	188	702
Eliminated on disposal	-	(39)	-	(137)	(176)
At 31 December 2016	4,339	2,871	10	1,007	8,227
Net book value					
At 31 December 2016	-	189	10	311	510
At 31 December 2015	401	213	17	293	924

14. Stocks

	2016 €'000	2015 €'000
Motorcycles	66,582	86,691
Parts and accessories	13,996	15,907
	<u>80,578</u>	<u>102,598</u>

Stocks recognised as an expense in the period were €1,195,000 (2015: €607,000).

15. Debtors: amounts falling due within one year

	2016 €'000	2015 €'000
Trade debtors	36,155	35,055
Amounts owed by group undertakings	81,067	42,008
Other debtors	415	186
Deferred Tax	528	521
Prepayments	793	625
	<u>118,958</u>	<u>78,395</u>

16. Creditors: amounts falling due within one year

	2016 €'000	2015 €'000
Bank loans and overdrafts (see note 18)	-	63
Trade creditors	4,962	2,799
Amounts owed to group undertakings	132,866	116,357
Corporation Tax	2,241	3,423
Other taxes and social security costs	1,269	855
Accruals and deferred income	14,697	11,876
	<u>156,035</u>	<u>135,373</u>

HARLEY-DAVIDSON EUROPE LIMITED

Notes to the Financial Statements - continued
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17. Creditors: amounts falling due after more than one year

	2016 €'000	2015 €'000
Cash settled share-based payments	<u>2,363</u>	<u>2,997</u>

18. Loans

An analysis of the maturity of loans is given below:

	2016 €'000	2015 €'000
Amounts falling due within one year or on demand:		
Bank overdrafts	<u>-</u>	<u>63</u>

19. Leasing agreements

The company had total commitments under non-cancellable operating leases as detailed below:

	2016 €'000	2015 €'000
Expiring:		
Within one year	476	942
Within two to five years	<u>2,735</u>	<u>647</u>
	<u>3,211</u>	<u>1,589</u>

20. Provisions for liabilities

	2016 €'000	2015 €'000
Other provisions		
Warranty provision	<u>1,998</u>	<u>2,013</u>

	Other provisions €'000
Balance at 1 January 2016	2,013
Initial provision: 2015 sales	1,969
Released: 2015 sales	(486)
Released: prior years sales	<u>(1,498)</u>
Balance at 31 December 2016	<u>1,998</u>

All new motorcycles are sold with a two year manufactures warranty as standard. A provision is recognised at the point of sale, reflecting the average expected costs to fulfil the warranty obligations, based on management assessment of past claims and current expectations. The provision is released to the P&L on a straight line basis over 24 months, with warranty expenses incurred charged to the P&L in offset. Parts, accessories and Motorclothes products also derive warranty obligations and are accounted for in a corresponding way.

HARLEY-DAVIDSON EUROPE LIMITED

Notes to the Financial Statements - continued
for the year ended 31 December 2016

21. Called up share capital

Allotted, issued and fully paid:		Nominal value:	2016 €	2015 €
Number:	Class:			
100	Ordinary	GBP 1	<u>136</u>	<u>136</u>

22. Reserves

	Retained earnings €'000	Reserves €'000	Totals €'000
At 1 January 2016	48,117	31,776	79,893
Profit for the year	16,185	-	16,185
At 31 December 2016	<u>64,302</u>	<u>31,776</u>	<u>96,078</u>

23. Pension commitments

The company operates a defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions charged to the profit and loss account amounted to €616,000 (2015 : €710,000). At the balance sheet date €79,000 was accrued (2015: €114,000).

24. Ultimate holding 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.

25. Related party transactions

The company has taken advantage of the exemption available under section 33.1a of FRS 102: Related Party Disclosures and accordingly has not disclosed transactions with members of the Harley-Davidson Inc. group. There are no other related party transactions.

HARLEY-DAVIDSON EUROPE LIMITED

Notes to the Financial Statements - continued
for the year ended 31 December 2016

26. Cash settled share-based payments

The details reported below relate to stock appreciation rights (SARs) and 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.

Stock appreciation rights and restricted stock units

The company has a stock compensation plan under which it may grant equity awards including Stock Appreciation Rights (SARs) and Restricted Stock Units (RSUs).

SARs granted under the Plan vest rateably over a three year period with the first 33.33% vesting one year after the date of grant. SARs are settled in cash upon exercise. The cash payment at settlement for each SAR is equal to the difference between the market price of one share of Harley-Davidson Inc. common stock on the date vested and the market price on the date of grant. The company maintains a liability for all unvested SARs. No SARs were granted in 2016.

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 2015:

	SARs No.	RSUs No.
Beginning	102,776	32,817
Granted	-	33,417
Cancelled/Transferred	-	(3,078)
Vested & exercised	(64,648)	(16,409)
Outstanding	<u>38,128</u>	<u>46,747</u>
Period-end weighted-average fair value of awards granted during the period	N/A	\$58

The fair value of SARs is determined using a lattice-based valuation model. The following weighted-average assumptions were used to determine the fair value of SARs as of the end of the period.

	2016	2015
Expected term	5.2 - 5.7	5.3 - 7.4
Expected volatility	28% - 31%	28% - 30%
Expected dividend yield	2.4%	2.7%
Risk free interest rate	0.5% - 2.6%	0.2% - 2.3%

Expected volatility is based on a weighted average of implied and historical volatility of Harley-Davidson Inc. common stock.

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