

Registered number: 06088797

DANA UK DRIVESHAFT LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017



DANA UK DRIVESHAFT LIMITED

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DANA UK DRIVESHAFT LIMITED

COMPANY INFORMATION

Directors	P Burman E Takacs (resigned 1 February 2018) J Wald G Pladeau (appointed 1 February 2018)
Company secretary	K Peacock
Registered number	06088797
Registered office	Bridgeway House Bridgeway Stratford Upon Avon CV37 6YX
Independent auditors	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors Cornwall Court 19 Cornwall Street Birmingham B3 2DT

DANA UK DRIVESHAFT LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their Strategic report of Dana UK Driveshaft Limited (the "company") for the year ended 31 December 2017.

Business review and future developments

Dana UK Driveshaft Limited (the "company") assembles driveshaft products for the construction vehicle and truck industries. In 2017 the business environment, in which the company operates has seen some decline within the Mining industry whilst other industries have had an increase. The business has continued to focus on its operations to ensure it remains an effective and competitive supplier for the future.

The Company is part of the worldwide Dana Incorporated Group ("the Group"), a company which is incorporated in the State of Delaware in the United States. The Strategic objectives of the Company are aligned with those of the Group. Further details on the strategy and performance of the Group can be found in the Management's Discussion and Analysis of Financial Condition and Results of Operations section of the 2017 Form 10-K for Dana Incorporated, which does not form part of this report.

Dividends

In June 2017, as part of Dana UK Group restructuring the company had distributed dividend amounting to £4m to its holding company.

Principal risks and uncertainties

From the perspective of the Company, the principal risks and uncertainties are integrated within the principal risks of the Group and are not managed separately. Accordingly, the principal risks and uncertainties of the Group, which included those of the Company, are discussed in Part 1 of the Form 10-K for Dana Incorporated, which does not form part of this report.

Financial risk management policies and procedures

The financial risks of the Company are managed centrally by the Group's European treasury department.

The company's operations expose it to a number of financial risks that include foreign currency risk, liquidity risk, interest rate cash flow risk, price risk and credit risk. The company has established a framework for managing these risks.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies and procedures set by Dana Incorporated are implemented by the company's finance department as required.

Foreign currency risk

The Company is exposed to exchange risk on trading activity. The immediate effect of exchange rate changes is largely offset by forward contracts which we have in place, but we do have an opportunity to reconsider alternative supply sources.

Liquidity risk

The company operates within a corporate policy to hedge identified trading exposures. All borrowing facilities are managed centrally by the Group's European treasury department. Wherever practicable, pooling, netting or concentration techniques are employed to minimise gross debt.

The requirement for medium to long term debt finance will be reviewed by Dana Incorporated based on the company's forecast requirements.

DANA UK DRIVESHAFT LIMITED

**STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2017**

Interest rate cash flow risk

The company has variable rate interest bearing assets with other group companies which are at a level sufficient to fund its operations.

The directors will revisit the appropriateness of this policy should the company's operations or cash balances change in size or nature.

Price risk

The company is exposed to commodity price risk as a result of its operations, however the element of exposure is low as wherever possible commercial offsets with customers are negotiated. The directors will revisit the appropriateness of this policy should the company's operations change in size and nature.

Credit risk

Credit risk arises from cash and cash equivalents as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions. Goods are generally supplied on normal commercial credit terms. The creditworthiness of new trading partners is reviewed, and the business is proactive in dealing with the rare occurrences of payment not within agreed terms.

Financial key performance indicators

The company monitors progress by reference to serve KPI's. Certain of these measures are commercially sensitive and hence are not reported here.

	2017	2016	Movement
Turnover (£'000)	15,052	16,324	During 2017 the company experienced a reduction in volumes to the mining industry
Gross profit margin (%)	18.8	19.8	Slight decrease in margin in the year due to strength of currency improving material costs from abroad.
Operating profit (£'000)	1,743	2,291	Operating profit is impacted positively from the improved gross margin.

This report was approved by the board on 28 September 2018 and signed on its behalf by:



Director
G PLADEAU

DANA UK DRIVESHAFT LIMITED

DIRECTORS REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

The directors present their annual report and the audited financial statements of Dana UK Driveshaft Limited (the "company") for the year ended 31 December 2017.

Statement of Directors responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors 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.

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.

Results and dividends

The profit for the financial year amounted to £1,496,000 (2016: £1,836,000).

A dividend of £4,000,000 was paid during the year (2016: £2,899,000).

Directors

The directors who served during the year and up to the date of signing the financial statements, unless otherwise stated, were:

P Burman
E Takacs (resigned 1 February 2018)
J Wald
G Pladeau (appointed 1 February 2018)

Directors' indemnity

As permitted by the Articles of Association, the Directors have the benefit of an indemnity which is a qualifying third party indemnity provision. The indemnity was in force throughout the last financial year and is currently in force. The Company also purchased and maintained throughout the financial year Directors' and Officers' liability insurance in respect of itself and its Directors.

DANA UK DRIVESHAFT LIMITED

DIRECTORS' REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2017

Future developments

A review of the business and an indication of likely future developments are included in the Strategic report.

Financial risk management

Details of the financial risks of the company are disclosed in the Strategic report.

Going concern

The Board has a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, and hence the directors believe that preparing the financial statements on a going concern basis is appropriate.

Employee involvement

The Board are committed to and support employee involvement.

The group is operationally split into operating businesses, which systematically provide employees with information and consult with them regarding matters of concern to them as employees to ensure that there is a common awareness of the financial and economic factors that affect the performance of the company.

Disabled employees

The company's policy is to give full and just consideration to applications made by disabled persons, with the selection being on the basis of ability. The company's recruitment, training, development and promotion policies give equality of opportunity to people to develop their potential. Steps are taken to accommodate the needs of disabled employees at work and, wherever possible, additional training is arranged to meet the special needs of those who become disabled.

Directors' confirmations

In the case of each director in office at the date the Directors' Report is approved:

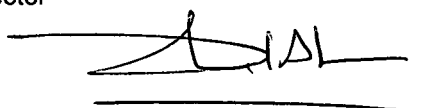
- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Independent auditors

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

The financial statements of pages 9 to 25 were approved by the board on 28 September 2018 and signed on its behalf by:

G PLADEAU
Director



DANA UK DRIVESHAFT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DANA UK DRIVESHAFT LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Dana UK Driveshaft Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Balance sheet as at 31 December 2017; the statement of income and retained earnings for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have 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.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

DANA UK DRIVESHAFT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DANA UK DRIVESHAFT 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in respect of the financial statements set out on page 5, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine 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 directors are 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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

DANA UK DRIVESHAFT LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF DANA UK DRIVESHAFT LIMITED

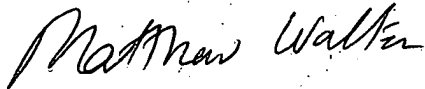
Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Matthew Walker (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Birmingham

28 September 2018

DANA UK DRIVESHAFT LIMITED**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 DECEMBER 2017**

	Note	2017 £000	2016 £000
Turnover	4	15,052	16,324
Cost of sales		(12,216)	(13,088)
Gross profit		2,836	3,236
Distribution costs		(78)	(116)
Administrative expenses		(1,015)	(829)
Operating profit	5	1,743	2,291
Interest receivable and similar income	10	2	8
Profit before taxation		1,745	2,299
Tax on profit	11	(249)	(463)
Profit for the financial year		1,496	1,836
Retained earnings:			
Retained earnings at the beginning of the year		4,185	5,248
Profit for the financial year		1,496	1,836
Dividends declared and paid		(4,000)	(2,899)
Retained earnings at the end of the financial year		1,681	4,185

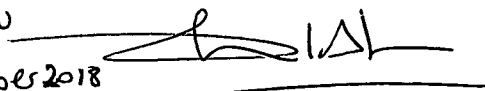
The notes on pages 11 to 25 form part of these financial statements.

DANA UK DRIVESHAFT LIMITED
REGISTERED NUMBER: 06088797

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £000	2016 £000
Fixed assets			
Tangible assets	13	223	205
Current assets			
Stocks	14	1,940	1,397
Debtors	15	7,670	11,135
Cash at bank and in hand	16	7	-
		<u>9,617</u>	<u>12,532</u>
Creditors: amounts falling due within one year	17	<u>(3,528)</u>	<u>(3,906)</u>
Net current assets		6,089	8,626
Total assets less current liabilities		6,312	8,831
Provisions for liabilities			
Other provisions	19	(31)	(46)
Net assets		<u>6,281</u>	<u>8,785</u>
Capital and reserves			
Called up share capital	20	-	-
Share premium account		4,600	4,600
Retained earnings		1,681	4,185
Total shareholders' funds		<u>6,281</u>	<u>8,785</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on by:

G PLADEAU
 Director
 28 September 2018 

The notes on pages 11 to 25 form part of these financial statements.

DANA UK DRIVESHAFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

1. General information

Dana UK Driveshaft Limited (the "company") assembles driveshaft products for the construction vehicle and truck industries. The company operates from one site in the UK and sells primarily in the UK.

The company is a private company limited by shares and is incorporated and domiciled in England. The address of its registered office is Bridgeway House, Bridgeway, Stratford Upon Avon, CV37 6YX.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on going concern basis, under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied consistently throughout the year:

2.2 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 the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 4 Statement of Financial Position paragraph 4.12(a)(iv);
- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Dana Incorporated as at 31 December 2017 and these financial statements may be obtained from PO Box 1000, Maumee, Ohio 43537, USA.

2.3 Going concern

The board has a reasonable expectation that the company has adequate resources to continue in operational existence for a foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements. There is a cashpooling arrangement with Dana Europe GmbH. Under these arrangements cash balances are swept daily and recognised through intercompany balances. The directors have received confirmation from Dana Europe GmbH that funds will be made available so the company can meet its obligations as they fall due for at least one year after these financial statement are signed.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.4 Turnover

Turnover is recognised to the extent that it is probable that the economic benefits will flow to the Company and the turnover can be reliably measured. Turnover is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before turnover is recognised:

Sale of goods

Turnover from the sale of goods is recognised when all of the following conditions are satisfied:

- the Company has transferred the significant risks and rewards of ownership to the buyer;
- the Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of turnover can be measured reliably;
- it is probable that the Company will receive the consideration due under the transaction; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

2.5 Tangible assets

Tangible assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Freehold property	- 10 years
Plant and machinery	- 2 to 10 years
Buildings and installations	- 10 years
Software and Hardware	2 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of Income and Retained Earnings.

DANA UK DRIVESHAFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.6 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.7 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially, at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.8 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.9 Financial instruments

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Statement of Income and Retained Earnings.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.10 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.11 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Income and Retained Earnings except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Statement of Income and Retained Earnings within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Statement of Income and Retained Earnings within 'other operating income'.

2.12 Finance costs

Finance costs are charged to the Statement of Income and Retained Earnings over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.13 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.14 Operating leases

Rentals paid under operating leases are charged to the Statement of Income and Retained Earnings on a straight line basis over the lease term.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

2. Accounting policies (continued)

2.15 Pensions

Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the Statement of Income and Retained Earnings when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.16 Interest income and expense

Interest income and expense is recognised in the Statement of Income and Retained Earnings using the effective interest method.

2.17 Borrowing costs

All borrowing costs are recognised in the Statement of Income and Retained Earnings in the year in which they are incurred.

2.18 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Statement of Income and Retained Earnings in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

DANA UK DRIVESHAFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

2. Accounting policies (continued)

2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Income and Retained Earnings, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance Sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The company's significant accounting policies are set out above. The preparation of financial statements, in conformity with United Kingdom Accounting Standards, requires the use of estimates, subjective judgement and assumptions that may affect the amount of assets and liabilities at the balance sheet date and reported profit for the year. The directors base these estimates, judgements and assumptions on a combination of past experience, professional expert advice and other evidence that is relevant to the particular circumstance.

Where the directors consider the more complex principal estimates, judgements and assumptions have been made, details set out in the accounting policies above or the related notes.

DANA UK DRIVESHAFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

4. Turnover

Analysis of turnover by country of destination:

	2017 £000	2016 £000
United Kingdom	12,820	13,855
Rest of Europe	2,132	2,435
Rest of the World	100	34
	<u>15,052</u>	<u>16,324</u>

All turnover relates to the assembly of driveshaft products. All turnover and profit relates to continuing operations and originated in the United Kingdom. The company's net assets are all located in the United Kingdom.

5. Operating profit

The operating profit is stated after charging:

	2017 £000	2016 £000
Depreciation of tangible assets	66	68
Exchange differences	214	170
Operating lease rentals	162	161
Inventory recognised as an expense	8,947	10,213
	<u>8,947</u>	<u>10,213</u>

6. Auditors' remuneration

	2017 £000	2016 £000
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	<u>24</u>	<u>21</u>

7. Derivative financial instruments

The company enters into forward currency contracts to mitigate the exchange rate risk for certain foreign currency transactions. At the year end, the company had entered into net forward contracts to sell €403,000 and buy \$650,377 in return for fixed sterling amounts (2016: €2,358,000 and \$1,114,850 respectively).

The forward currency contracts are measured at fair value, using observable forward exchange rates and interest rates corresponding to the maturity of the contract. At 31 December 2017, the fair value of the forward foreign currency contracts is £36,396 (2015: £7,784).

DANA UK DRIVESHAFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

8. Employees

Staff costs, including directors' remuneration, were as follows:

	2017	2016
	£000	£000
Wages and salaries	1,316	1,340
Social security costs	152	160
Other pension costs	72	81
	<u>1,540</u>	<u>1,581</u>

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

	2017	2016
	Number	Number
Manufacturing direct	26	23
Manufacturing indirect	15	15
Management	1	1
	<u>42</u>	<u>39</u>

9. Directors' remuneration

	2017	2016
	£000	£000
Aggregate directors' emoluments	181	166
Company contributions to defined contribution pension schemes	7	6
	<u>188</u>	<u>172</u>

The highest paid director received £181,000 (2016: £166,000) of emoluments and £6,800 (2016: £6,000) contributions to a money purchase pension schemes.

Certain directors are also directors of other companies within the Dana group and their emoluments relate to services provided to the group as a whole. P Burman and J Wald received emoluments from other Dana Incorporated group companies based within and outside the United Kingdom respectively. These emoluments have not been recharged to the company in the current or prior year. No compensation for loss of office was paid to a director.

During the year, no (2016: none) directors were accruing benefits under a defined benefit pension scheme and one (2016: one) directors were accruing benefits under a money purchase scheme. There were £Nil outstanding contributions at the year end (2016: £Nil).

During the year, for which they were directors of the company, none of the directors were granted or exercised options to subscribe for shares in the company's ultimate holding company, Dana Incorporated.

DANA UK DRIVESHAFT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

10. Interest receivable and similar income

	2017	2016
	£000	£000
Interest receivable from group companies	<u>2</u>	<u>8</u>

11. Tax on profit

	2017	2016
	£000	£000
Corporation tax		
Current tax on profits for the year	241	461
Adjustments in respect of prior years	-	(23)
Total current tax	<u>241</u>	<u>438</u>
Deferred tax		
Origination and reversal of timing differences	1	-
Adjustments in respect of prior years	1	13
Effect of changes in tax rates	6	12
Total deferred tax	<u>8</u>	<u>25</u>
Tax on profit	<u>249</u>	<u>463</u>

DANA UK DRIVESHAFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

11. Tax on profit (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2016: higher than) the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017 £000	2016 £000
Profit before taxation	<u>1,745</u>	<u>2,299</u>
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	336	460
Effects of:		
Tax rate changes	6	12
Effects of Group Relief	(87)	-
Adjustments in respect of prior years	1	(10)
Expenses not deductible	(7)	1
Total tax charge for the year	<u>249</u>	<u>463</u>

Factors that may affect future tax charges

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

12. Dividends

	2017 £000	2016 £000
Dividends paid	<u>4,000</u>	<u>2,899</u>

On the 29 June 2017 a dividend of £4,000,000 (2016: £2,899,000) was approved and paid to the parent company. The dividend per share was £4,000.00p (2016: £2,899.00p per share).

DANA UK DRIVESHAFT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

13.

	Assets under construction £000	Buildings and Installations £000	Plant and machinery £000	Software and Hardware £000	Total £000
Cost					
At 1 January 2017	14	109	1,637	112	1,872
Additions	46	-	44	-	90
Disposals	-	-	(15)	-	(15)
At 31 December 2017	<u>60</u>	<u>109</u>	<u>1,666</u>	<u>112</u>	<u>1,947</u>
Accumulated depreciation					
At 1 January 2017	-	92	1,518	57	1,667
Charge for the year	-	3	27	36	66
Disposals	-	-	(9)	-	(9)
At 31 December 2017	<u>-</u>	<u>95</u>	<u>1,536</u>	<u>93</u>	<u>1,724</u>
Net book value					
At 31 December 2017	<u>60</u>	<u>14</u>	<u>130</u>	<u>19</u>	<u>223</u>
At 31 December 2016	<u>14</u>	<u>17</u>	<u>119</u>	<u>55</u>	<u>205</u>

14. **Stocks**

	2017 £000	2016 £000
Raw materials and consumables	1,891	1,347
Finished goods and goods for resale	49	50
	<u>1,940</u>	<u>1,397</u>

The replacement cost of inventories is not materially different from the amounts set out above.

Inventories are stated after provisions for impairment of £31,720 (2016: £46,000).

DANA UK DRIVESHAFT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

15. Debtors

	2017 £000	2016 £000
Trade debtors	2,042	1,902
Amounts owed by group undertakings	5,114	8,531
Prepayments and accrued income	40	45
Tax recoverable	341	544
Deferred taxation	97	105
Financial instruments	36	8
	<u>7,670</u>	<u>11,135</u>

The amounts owed by group undertakings are cash pool loans which are unsecured, repayable on demand and at commercial rates of interest that are reviewed and reset on a regular basis.

16. Cash and cash equivalents

	2017 £000	2016 £000
Cash at bank and in hand	7	-
Less: bank overdrafts	-	(3)
	<u>7</u>	<u>(3)</u>

17. Creditors: Amounts falling due within one year

	2017 £000	2016 £000
Bank loans and overdrafts	-	3
Trade creditors	236	139
Amounts owed to group undertakings	2,447	2,827
Other taxation and social security	282	290
Accruals and deferred income	563	647
	<u>3,528</u>	<u>3,906</u>

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

DANA UK DRIVESHAFT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017**

18. Deferred taxation

	2017 £000
At beginning of year	105
Charged to profit or loss	(8)
At end of year	<u><u>97</u></u>

The deferred tax asset is made up as follows:

	2017 £000	2016 £000
Accelerated capital allowances	35	39
Short term timing differences	62	66
	<u><u>97</u></u>	<u><u>105</u></u>

19. Other provisions

	Warranty provision £000
At 1 January 2017	46
Utilised in year	(15)
At 31 December 2017	<u><u>31</u></u>

The warranty provision is based on historical experience of contractual warranty obligations relating to the supply of goods plus provision for specific customer issues undergoing commercial resolution and negotiation. The amount provided represents management's best estimate of the expected future costs arising. The majority of the provision is expected to be utilised within the next 12 months.

DANA UK DRIVESHAFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

20. Called up share capital

	2017 £	2016 £
Shares classified as equity		
Allotted, called up and fully paid		
817 (2016: 817) Ordinary shares shares of £0.10 each	82	82
183 (2016: 183) 'B' Ordinary shares shares of £0.10 each	18	18
	<u>100</u>	<u>100</u>

A 'B' ordinary share shall not entitle the holder to receive notice of, or to attend or vote at, any general meeting of the company unless the business of the meeting relates to the winding up of the company and or altering the right or privileges attached to the ordinary shares. The rights of the Ordinary and 'B' ordinary shareholders rank pari passu in all other respects.

21. Commitments under operating leases

At 31 December the Company had future minimum lease payments under non-cancellable operating leases as follows:

	2017 £000	2016 £000
Within 1 year	160	16
Later than 1 year and not later than 5 years	369	148
	<u>529</u>	<u>164</u>

The company had no other off-balance sheet arrangements.

22. Related party transactions

During the year the company purchased £2,436,000 (2016: £1,924,000) of goods from related group companies that were not wholly owned by Dana Incorporated. At the year end, the balance outstanding was £434,000 (2016: £240,000) and included within creditors. The balances are unsecured and payment terms are 60 days net.

The company is exempt from disclosing other related party transactions as they are with other companies that are wholly owned within the group.

DANA UK DRIVESHAFT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2017

23. Controlling party

Dana UK Automotive Systems Limited, a company registered in England, is the immediate parent undertaking. A copy of these financial statements may be obtained from the registered office at Bridgeway House, Bridgeway, Stratford upon Avon, CV37 6VX.

Dana Incorporated, which is incorporated in the State of Delaware, USA is the parent company of the smallest and largest group to consolidate the financial statements of the company. The directors consider this company to be ultimate parent company and controlling party. Copies of the Dana Incorporated group financial statements may be obtained from PO Box 1000, Maumee, Ohio 43537, USA.