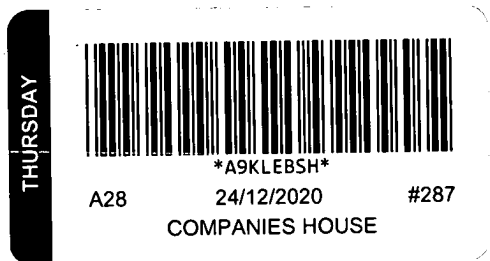


Registration number: 06088792

Dana UK Axle Limited

Annual Report and Financial Statements

For the year ended 31 December 2019



Dana UK Axle Limited

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Dana UK Axle Limited

Company information

Directors

J T Coppage

J Mcfall

D Davies

T Feeney

**Company
secretary**

J T Coppage

J Mcfall

**Registered
number**

06088792

Registered office

Bridgeway House
Bridgeway
Stratford-Upon-Avon
CV37 6YX

**Independent
auditors**

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
One Chamberlain Square
Birmingham
B3 3AX

Dana UK Axle Limited

Strategic Report

for the Year Ended 31 December 2019

The Directors present their strategic report for the year ended 31 December 2019.

Business review and principal activities

Dana UK Axle Limited (“the Company”) manufactures axle products for the automotive and service aftermarket industries.

The Directors are not satisfied with the financial performance but are satisfied with the position of the Company, which continues to focus on improving its operations to ensure it remains an effective supplier. The main drive was to improve processes on new products launched as well as managing lower than expected volumes. As at 31 December 2019, the Company had net assets of £24,131,000 (2018: £27,231,000).

The Company is part of the worldwide Dana Incorporated (“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 2016 Form 10-K for Dana Incorporated, which does not form part of this report.

Future developments

The outlook for the Company is positive. In terms of products and capability, globally Dana is exploiting its engineering leadership to offer improved product development via an associated global support network. Locally new technologies are being introduced and working practices enriched. The Dana Operating System (DOS), the Company’s comprehensive performance improvement methodology, is realising continuous improvement and enhancing its ability to react to customer needs. In terms of growth, the Company is sharing in the success of its customers. Their expansion together with the Company’s hard-earned status as a trusted tier-one supplier has enabled continued business wins resulting in new capacity investment which has been secured and is underway. Every indication is that these factors combine to ensure sustained growth and profitability in the long-term.

Principal risks and uncertainties

The principal non-financial risks and uncertainties facing the Company are:

Sources and availability of raw materials

In the manufacture of our products we source materials from multiple qualified sources in quantities sufficient for our needs. While our suppliers have generally been able to support our needs, our operations may experience shortages and delays in the supply due to Brexit. We have stockpiled a level of supply of materials to meet our short term lead times however a prolonged shortage could adversely impact our ability to deliver to our customers.

Brexit

The United Kingdom exited the European Union in January 2020 after the country voted to leave in a referendum in June 2016. As it stands, the United Kingdom is currently in the transition period until the end of 2020 and the terms of its exit are still under negotiation. The Directors continues to monitor the situation closely and review potential risks to the Company.

Strategic Report (continued) for the Year Ended 31 December 2019

Financial risk management

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 seeks to naturally hedge its foreign currency exposure wherever possible. Where the trading exposures are not offset the Company puts forward contracts in place, but we do have an opportunity to consider alternative supply sources.

Liquidity risk

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.

Interest rate cash flow risk

The Company has variable rate interest bearing assets and liabilities as part of the cash pooling arrangements 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 wherever possible we negotiate commercial offsets with customers. The Directors will revisit the appropriateness of this policy should the Company's operations change in size and nature.

Credit risk

Credit risk arises primarily from exposure to customers, including outstanding receivables and committed transactions. Goods are supplied on normal commercial terms and the Company regularly reviews and monitors the level of exposure.

Policy and practice on payment of creditors

As a general policy, the Company is responsible for agreeing terms and conditions.

Strategic Report (continued) for the Year Ended 31 December 2019

Key Performance Indicators

The Company monitors progress by reference to several KPIs. Certain of these measures are commercially sensitive and hence are not reported here.

	2019	2018	Movement
Turnover (£'000)	114,417	119,287	The decrease in the year was driven by a volume downturn of £4.1m in volume from two key customers and £0.8m in customer price decreases.
Gross profit/(loss) margin (%)	4.38%	-0.39%	The year on year increase relates to lower warranty costs from customers, improved throughput generating less scrap & labour efficiency, reduced raw material costs offset by customer pricing decrease.
Operating loss (£'000)	(1,613)	(5,215)	The year on year increase relates to lower costs offset by customer pricing decreases.

Post balance sheet events

Subsequent to the balance sheet date the COVID-19 pandemic developed rapidly. The UK entered a period of lockdown in March 2020, resulting in a significant reduction in short term economic activity. The circumstances have increased general economic uncertainty although they have not had a major impact on the Company to date. In response we have sought to reduce costs where possible. The full impact on the future trading levels is uncertain. We continue to monitor the situation closely and review the risks to the business. We have concluded that the outbreak is a non-adjusting event in accordance with Section 32 of FRS 102.

Approved by the Board on 22nd December 2020 and signed on its behalf by:



.....
J Mcfall
Director

Dana UK Axle Limited

Directors' Report

for the Year Ended 31 December 2019

The Directors present their report and the audited financial statements for the year ended 31 December 2019.

Results for the year

The results for the year ended 31 December 2019 are set out in the Statement of Comprehensive Income on page 12. The Directors do not propose the payment of a dividend (2018: nil).

Directors of the Company

The Directors of the Company who were in office during the year and up to the date of signing the financial statements, unless otherwise noted, were as follows:

D Davies

T Feeney (appointed 3 January 2019)

J Coppage (resigned 7 July 2020)

J Mcfall (appointed 7 July 2020)

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.

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 balance sheet of the Company at 31 December 2019 shows net current assets of £5,088,000 (2018: £6,463,000) and net assets of £24,131,000 (2018: £27,231,000). In the wake of the impact of the Covid-19 pandemic and the UK government's decision to implement lockdown in March 2020, the directors have taken appropriate action with the Company continuing to trade, albeit at a reduced level, and a significant number of employees being placed "on furlough" with claims being made under government's Job Retention Scheme. The directors have obtained a letter of support from Dana Incorporated, its Company's ultimate parent company. The directors have prepared Covid-19 adjusted forecasts and even when applying downside scenarios, the directors are satisfied that, with the financial support of Dana Incorporated, the Company can continue to meet its debts as they fall due. As such, the directors believe the Company to be a going concern and have adopted this assumption in preparing financial statements. The Directors having assessed the financial position and prospects for the Company, including risks and uncertainties arising from the COVID-19 pandemic as discussed above, are satisfied that the Company has adequate resources to continue to operate as a going concern throughout the twelve months following the date of approval of these financial statements.

Research and development activities

The Company undertakes research and development work in support of its principal manufacturing activities.

Directors' Report (continued) for the Year Ended 31 December 2019

Employee involvement

The Board are committed to and practice the concept of employee involvement.

The Company systematically provides employees with information and consults 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.

Statement of Directors' Responsibilities

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.

Statement of disclosure of information to auditors

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

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

Dana UK Axle Limited

Directors' Report (continued)
for the Year Ended 31 December 2019

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 statement with the registrar, whichever is earlier.

Approved by the Board on 22nd December 2020 and signed on its behalf by:



.....
J Mcfall
Director

Section 172 Report

for the Year Ended 31 December 2019

The directors' overarching duty is to promote the success of the Company for the benefit of its shareholders, with consideration of stakeholder' interests, as set out in the Section 172. The board regards a well-governed business as essential for the successful deliver of its principal activity.

The directors are aware of their duty under Section 172 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- a. the likely consequences of any decision in the long term;
- b. the interests of the Company's employees;
- c. the need to foster the Company's business relationships with suppliers, customers and others;
- d. the impact of the Company's operations on the community and the environment;
- e. the desirability of the Company maintaining a reputation for high standards of business conduct; and
- f. the need to act fairly as between members of the Company.

The Company is a UK Subsidiary of Dana Incorporated, quoted on the New York Stock Exchange (DAN) and a leading global manufacturer of automotive axles for light vehicles.

The Company forms part of the Dana Incorporated group. The board of Dana Incorporated manages the group's operations on a global and country wise basis. From the perspective of the Company board, as a result of the group governance structure, the matters that it is responsible for considering under section 172 have been considered to an appropriate extent by the group board in relation both to the group and to this entity. The board has also considered relevant matters where appropriate.

Dana UK Axle Limited

Independent Auditors' Report to the Members of Dana UK Axle Limited

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss 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 and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2019; the statement of comprehensive income, and the statement of changes in equity 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 where:

- 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.

Independent Auditors' Report to the Members of Dana UK Axle Limited (continued)

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 on, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify 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 2019 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 Directors' Responsibilities Statement in respect of financial statements set out on page 6, 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.

Dana UK Axle Limited

Independent Auditors' Report to the Members of Dana UK Axle Limited (continued)

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.


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
One Chamberlain Square Birmingham

Date: 22 December 2020

Statement of Comprehensive Income
for the Year Ended 31 December 2019

	<i>Note</i>	<i>2019</i> £ 000	<i>2018</i> £ 000
Turnover	4	114,417	119,287
Cost of sales		<u>(109,402)</u>	<u>(119,753)</u>
Gross profit/(loss)		5,015	(466)
Administrative expenses		(3,309)	(3,275)
Other operating expenses		<u>(3,319)</u>	<u>(1,474)</u>
Operating loss	5	(1,613)	(5,215)
Interest receivable and similar income	9	4	23
Interest payable and similar expenses	10	<u>(112)</u>	<u>(41)</u>
Loss before taxation		(1,721)	(5,233)
Tax on loss	11	<u>(1,379)</u>	<u>(2,304)</u>
Loss for the financial year		<u>(3,100)</u>	<u>(7,537)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive expense for the year		<u>(3,100)</u>	<u>(7,537)</u>

The above results were derived from continuing operations.

The Company has no recognised gains or losses for the year other than the results above.

Dana UK Axle Limited

Balance Sheet
as at 31 December 2019

	<i>Note</i>	<i>2019</i> £ 000	<i>2018</i> £ 000
Fixed assets			
Tangible assets	12	21,471	23,341
Current assets			
Stocks	13	11,868	14,884
Debtors (includes amounts falling due after more than one year of £2,371,000 (2018: £2,728,000))	14	30,183	33,783
Cash at bank and in hand	15	36	-
		<u>42,087</u>	<u>48,667</u>
Creditors: Amounts falling due within one year	16	<u>(36,999)</u>	<u>(42,204)</u>
Net current assets		<u>5,088</u>	<u>6,463</u>
Total assets less current liabilities		26,559	29,804
Creditors: Amounts falling due after more than one year	17	(1,030)	(1,030)
Provisions for liabilities	19	<u>(1,398)</u>	<u>(1,543)</u>
Net assets		<u>24,131</u>	<u>27,231</u>
Capital and reserves			
Called up share capital	20	-	-
Share premium account	21	10,600	10,600
Retained earnings	21	<u>13,531</u>	<u>16,631</u>
Total shareholders' funds		<u>24,131</u>	<u>27,231</u>

The financial statements on pages 12 to 32 were approved and authorised for issue by the Board on 22nd December 2020 and signed on its behalf by:



.....
J Mcfall
Director

Registered number: 06088792

The notes on pages 12 to 32 form an integral part of these financial statements.

Statement of Changes in Equity

for the Year Ended 31 December 2019

	<i>Share capital</i>	<i>Share premium</i>	<i>Profit and loss</i>	<i>Total</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>account</i>	<i>£ 000</i>
			<i>£ 000</i>	
At 1 January 2018	-	10,600	24,168	34,768
Loss for the year	-	-	(7,537)	(7,537)
Total comprehensive expense	-	-	(7,537)	(7,537)
At 31 December 2018	-	10,600	16,631	27,231

	<i>Share capital</i>	<i>Share premium</i>	<i>Profit and loss</i>	<i>Total</i>
	<i>£ 000</i>	<i>£ 000</i>	<i>account</i>	<i>£ 000</i>
			<i>£ 000</i>	
At 1 January 2019	-	10,600	16,631	27,231
Loss for the year	-	-	(3,100)	(3,100)
Total comprehensive expense	-	-	(3,100)	(3,100)
At 31 December 2019	-	10,600	13,531	24,131

Notes to the Financial Statements

for the Year Ended 31 December 2019

1 General information

Dana UK Axle Limited (the "Company") manufactures axle products for the automotive and service aftermarket 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, United Kingdom. The address of its registered office is Bridgeway House, Bridgeway, Stratford upon Avon, CV37 6YX. The registration number of the Company is 06088792.

2 Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared on a 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 judgement in applying the Company's accounting policies (see note 3).

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

2.2 Summary of disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102:

- 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 2019 and these financial statements may be obtained from Dana incorporated, P.O Box 1000, Maumee, Ohio, 43537, USA.

Notes to the Financial Statements

for the Year Ended 31 December 2019

2 Accounting policies (continued)

2.3 Going concern

The balance sheet of the Company at 31 December 2019 shows net current assets of £5,088,000 (2018: £6,463,000) and net assets of £24,131,000 (2018: £27,231,000). In the wake of the impact of the Covid-19 pandemic and the UK government's decision to implement lockdown in March 2020, the directors have taken appropriate action with the Company continuing to trade, albeit at a reduced level, and a significant number of employees being placed "on furlough" with claims being made under government's Job Retention Scheme. The directors have obtained a letter of support from Dana Incorporated, its Company's ultimate parent company. The directors have prepared Covid-19 adjusted forecasts and even when applying downside scenarios, the directors are satisfied that, with the financial support of Dana Incorporated, the Company can continue to meet its debts as they fall due. As such, the directors believe the Company to be a going concern and have adopted this assumption in preparing financial statements. The Directors having assessed the financial position and prospects for the Company, including risks and uncertainties arising from the COVID-19 pandemic as discussed above, are satisfied that the Company has adequate resources to continue to operate as a going concern throughout the twelve months following the date of approval of these financial statements.

2.4 Turnover

Turnover is recognised on despatch of products and represents the amount receivable in the ordinary course of business for products sold after deducting value added tax and net of rebates.

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.

At each reporting date the Company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

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 - 20 to 50 years
Plant and machinery - 2 to 10 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 Comprehensive Income.

Notes to the Financial Statements

for the Year Ended 31 December 2019

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 the Statement of Comprehensive Income.

2.7 Financial instruments

The Company has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of 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 Comprehensive Income.

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.

2.8 Government grants

Government grants received, with no conditional liability to repay, are treated as deferred income and are credited to the Statement of Comprehensive Income on a straight line basis over the expected useful lives of the related assets on a basis consistent with the depreciation policies of the related assets. Grants received with a conditional liability to repay are deferred until all conditions are met and then credited to the Statement of Comprehensive Income.

Notes to the Financial Statements

for the Year Ended 31 December 2019

2 Accounting policies (continued)

2.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

2.10 Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Statement of Comprehensive Income over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

2.11 Share capital

Ordinary shares are classified as equity. Equity instruments are measured at fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and time value of money is material, the initial measurement is on a present value basis.

2.12 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transaction 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.

Notes to the Financial Statements

for the Year Ended 31 December 2019

2 Accounting policies (continued)

2.13 Finance costs

Finance costs are charged to the Statement of Comprehensive Income 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.

2.14 Leased assets

Operating lease costs are charged to the Statement of Comprehensive Income in the period as they are incurred.

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 Comprehensive Income 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

Interest income is recognised in the Statement of Comprehensive Income using the effective interest method.

2.17 Provision 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 Comprehensive Income 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.

2.18 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, 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.

Notes to the Financial Statements

for the Year Ended 31 December 2019

2 Accounting policies (continued)

2.18 Current and deferred taxation (continued)

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except for the following:

- 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. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

2.19 Research and development

Research and development expenditure, including the design and production of prototypes of new products and the cost of developing new applications for existing equipment, is written off as incurred.

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.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are addressed below.

The annual depreciation charge for fixed assets is sensitive to changes in the estimated useful economic lives and residual values of these assets. Useful lives and residual values are amended when necessary to reflect current estimates.

Provisions are made for the best estimates in relation to warranties costs. These are reassessed annually and amended when necessary to reflect current estimates.

Deferred tax assets are only recognised to the extent to which it can be regarded as more likely than not that the Company or group will generate sufficient future taxable profits from which the reversal of the underlying timing difference can be deducted.

Impairment reviews of tangible assets are performed by the Directors when there has been an indication of potential impairment.

The Company has performed an impairment review in the year, discounted cash-flow models have been prepared based on board approved budgets to 2024. Key assumptions include the discount rate of 11% and the long term growth rate of 2%.

Notes to the Financial Statements

for the Year Ended 31 December 2019

4 Turnover

The whole of the turnover is attributable to the manufacture and sales of automotive parts.

The analysis of the Company's turnover for the year by market is as follows:

	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
United Kingdom and Republic of Ireland	91,531	98,275
Rest of Europe	22,847	20,955
Rest of the world	39	57
	<u>114,417</u>	<u>119,287</u>

5 Operating loss

Arrived at after charging/(crediting)

	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
Research & development charged as an expense	27	47
Other operating expenses	3,319	1,474
Depreciation of tangible assets	3,127	3,957
Operating lease charges	260	265
Inventory recognised as an expense	101,023	103,017
Exchange differences	(373)	467
	<u></u>	<u></u>

6 Auditors' remuneration

	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
Fees payable to the Company's auditors for the audit of the Company's annual financial statements	79	106
	<u></u>	<u></u>

The auditors carried out no other services other than the audit of these financial statements during the years 2019 and 2018.

Notes to the Financial Statements

for the Year Ended 31 December 2019

7 Employees

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

	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
Wages and salaries	11,150	11,697
Social security costs	1,288	1,314
Other pension costs	606	630
	<u>13,044</u>	<u>13,641</u>

The average monthly number of persons employed by the Company (including Directors) during the year, analysed by category was as follows:

	<i>2019</i>	<i>2018</i>
	<i>No.</i>	<i>No.</i>
Manufacturing direct	147	162
Manufacturing indirect	62	61
Management	78	87
	<u>287</u>	<u>310</u>

8 Directors' remuneration

The Directors' remuneration for the year was as follows:

	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
Aggregate Directors' emoluments	843	658
Company contributions to money purchase pension schemes	27	26
	<u>870</u>	<u>684</u>

The emoluments of the highest paid Director are £330,000 (2018: £340,000) and contributions to a money purchase pension are £27,000 (2018: £26,000).

No compensation was paid to Directors for loss of office (2018: £nil).

Notes to the Financial Statements

for the Year Ended 31 December 2019

8 Directors' remuneration (continued)

The Directors are also directors of other companies within the Dana Group and their emoluments relate to services provided to the group as a whole. The emoluments are disclosed in the financial statements of the companies that paid the emoluments, because it is not practical to apportion the amounts paid to the companies to which they relate.

During the year no director (2018: nil) has exercised options, which were settled in cash.

9 Interest receivable and similar income

	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
Interest receivable from group companies	4	23

10 Interest payable and similar expenses

	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
Interest payable to group companies	112	41

Notes to the Financial Statements

for the Year Ended 31 December 2019

11 Tax on loss

Tax charged in the Statement of Comprehensive Income

	2019 £ 000	2018 £ 000
Corporation tax		
Current tax on profits for the year	859	1,843
Adjustment in respect of prior years	(76)	75
Total current tax	<u>783</u>	<u>1,918</u>
Deferred taxation		
Origination and reversal of timing differences	666	467
Changes in tax rates and laws	(70)	(49)
Adjustment in respect of prior years	-	(32)
Total deferred taxation	<u>596</u>	<u>386</u>
Tax on loss	<u>1,379</u>	<u>2,304</u>

Notes to the Financial Statements

for the Year Ended 31 December 2019

11 Tax on loss (continued)

Reconciliation of effective tax rate

The tax on the loss for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19% (2018: 19%).

The differences are reconciled below:

	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
Loss before tax	<u>(1,721)</u>	<u>(5,233)</u>
Corporation tax on standard rate	(327)	(994)
Effects of:		
Expenses not deductible	1,852	3,305
Income not taxable	-	(1)
Adjustment in respect of prior years	(76)	43
Tax rate changes	<u>(70)</u>	<u>(49)</u>
Total tax charge for the year	<u>1,379</u>	<u>2,304</u>

Factors that may affect future tax charges

The standard rate of UK corporation tax reduced from 20% to 19% on 1 April 2017. The Finance (No.2) Act 2017 received Royal Assent on 16 November 2017 which decided to reduce the rate further to 17% from 1 April 2020. However, in the budget announced 11 March 2020, it was decided the UK corporation tax rate will be maintained at 19%.

Deferred taxation

The amount of deferred tax recognised at 31 December 2019 was £1,311,000 (2018: £1,907,000).

Notes to the Financial Statements

for the Year Ended 31 December 2019

12 Tangible assets

	<i>Freehold Property</i> £ 000	<i>Plant and machinery</i> £ 000	<i>Total</i> £ 000
Cost			
At 1 January 2019	4,538	42,717	47,255
Additions	122	1,135	1,257
Disposals	-	(53)	(53)
At 31 December 2019	<u>4,660</u>	<u>43,799</u>	<u>48,459</u>
Accumulated depreciation			
At 1 January 2019	2,394	21,520	23,914
Charge for the year	156	2,971	3,127
Eliminated on disposal	-	(53)	(53)
At 31 December 2019	<u>2,550</u>	<u>24,438</u>	<u>26,988</u>
Net book value			
At 31 December 2019	<u>2,110</u>	<u>19,361</u>	<u>21,471</u>
At 31 December 2018	<u>2,144</u>	<u>21,197</u>	<u>23,341</u>

Notes to the Financial Statements

for the Year Ended 31 December 2019

13 Stocks

	2019 £ 000	2018 £ 000
Raw materials and consumables	3,761	10,173
Work in progress	5,130	2,199
Finished goods and goods for resale	2,977	2,512
	<u>11,868</u>	<u>14,884</u>

The replacement cost of inventories is not materially different from the amounts set out above. Inventories are stated after provisions of £2,105,000 (2018: £2,767,000).

14 Debtors

	<i>Note</i>	2019 £ 000	2018 £ 000
Trade debtors		20,324	23,999
Amounts owed by group undertakings		612	612
Other debtors		6,616	6,030
Deferred tax assets	11, 18	1,311	1,907
Corporation tax		12	-
Prepayments and accrued income		1,308	1,235
		<u>30,183</u>	<u>33,783</u>

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

Deferred tax includes amounts expected to be utilised in more than one year of £719,000 (2018: £1,472,000).

Trade debtors are stated after provisions for impairment of £74,000 (2018: £23,000)

Other debtors includes amount due outside 1 year of £2,371,000 (2018: £2,728,000) relating to engineering projects.

Notes to the Financial Statements
for the Year Ended 31 December 2019

15 Cash at bank and in hand

	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
Cash at bank	36	-

16 Creditors: Amounts falling due within one year

	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
Bank loans and overdrafts	-	11
Trade creditors	8,217	14,445
Amounts owed to group undertakings	25,479	23,135
Corporation tax	-	1,370
Other taxation and social security	1,151	509
Accruals and deferred income	2,152	2,734
	<u>36,999</u>	<u>42,204</u>

The amounts owed to group undertakings are unsecured, interest free and repayable on demand with the exception of the cash pool balance payable from Dana Europe AG of £16,914,000 (2018: from Dana Europe AG of £9,182,000) which is unsecured and bears interest at commercial rates that are reviewed and reset on a regular basis.

17 Creditors: Amounts falling due after more than one year

	<i>2019</i>	<i>2018</i>
	<i>£ 000</i>	<i>£ 000</i>
Deferred income	1,030	1,030

Notes to the Financial Statements

for the Year Ended 31 December 2019

18 Deferred taxation

	2019 £ 000	2018 £ 000
At beginning of year	1,907	2,293
Charged to Statement of Comprehensive Income	(596)	(386)
	<u>1,311</u>	<u>1,907</u>

The deferred tax asset is made up as follows:

	2019 £ 000	2018 £ 000
Accelerated capital allowances	914	1,489
Short term timing differences	342	362
Losses	55	56
	<u>1,311</u>	<u>1,907</u>

19 Provision for liabilities

	<i>Warranties provision £ 000</i>	<i>Environment provisions £ 000</i>	<i>Total £ 000</i>
At 1 January 2019	1,532	11	1,543
Charged to Statement of Comprehensive Income	851	139	990
Utilised in year	(996)	(139)	(1,135)
At 31 December 2019	<u>1,387</u>	<u>11</u>	<u>1,398</u>

Warranty provision

Warranty costs are provided for based upon past experience. The Directors take into account the length of the warranty period, the historical experience of costs incurred and, if necessary, any specific problems identified. The majority of the provision is expected to be utilised within the next 12 months.

Environmental provision

Environmental costs are in respect of estimated future expense on remediation, this is expected to be utilised within the next 12 months.

Notes to the Financial Statements

for the Year Ended 31 December 2019

20 Called up share capital

Allotted, called up and fully paid shares

	2019		2018	
	<i>No.</i>	<i>£</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £0.10 (2018 - £0.10) each	817	82	817	82
'B' ordinary shares of £0.10 (2018 - £0.10) each	183	18	183	18
	<u>1,000</u>	<u>100</u>	<u>1,000</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 'B' ordinary shares. The rights of 'A' and 'B' shareholders rank pari passu in all other respects.

21 Reserves

Share premium account

The share premium account represents amounts received on the issue of share capital in excess of the nominal value of share capital, less any costs incurred as a result of the issue.

Retained earnings

The Statement of Changes in Equity represents the retained earnings and accumulated losses, losses and distributions of the Company.

Notes to the Financial Statements

for the Year Ended 31 December 2019

22 Capital commitments

At 31 December the Company had capital commitments as follows:

	2019 £ 000	2018 £ 000
Contracted for but not provided in these financial statements	405	90

23 Commitments under operating leases

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

	2019 £ 000	2018 £ 000
Not later than 1 year	196	199
Later than 1 year and not later than 5 years	58	240
	<u>254</u>	<u>439</u>

The amount charged to the Statement of Comprehensive Income in respect of operating leases is £260,000 (2018: £206,000).

24 Related party transactions

The Company is exempt from disclosing related party transactions with other companies that are wholly owned within the Dana Incorporated group. During the year, the Company had group related party transactions not covered by the exemption. The balances are unsecured and payment terms are 60 days net.

	2019 £ 000	2018 £ 000
Purchase of goods	1,299	9,330
Payable balance within creditors at 31 December	<u>1,680</u>	<u>1,405</u>

25 Post balance sheet events

Subsequent to the balance sheet date the COVID-19 pandemic developed rapidly. The UK entered a period of lockdown in March 2020, resulting in a significant reduction in short term economic activity. The circumstances have increased general economic uncertainty although they have not had a major impact on the Company to date. In response we have sought to reduce costs where possible. The full impact on the future trading levels is uncertain. We continue to monitor the situation closely and review the risks to the business. We have concluded that the outbreak is a non-adjusting event in accordance with Section 32 of FRS 102.

Dana UK Axle Limited

Notes to the Financial Statements

for the Year Ended 31 December 2019

26 Parent and ultimate parent undertaking

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 6YX.

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.