



**Annual Report and Financial Statements of  
Tata Motors European Technical Centre plc**

**For the Year Ended 31 March 2018**

Company Registration No: 05551225



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## Company information

### Directors:

Mr J O'Connor	Executive Director
Mr D G Bassett	Non-Executive Director
Mr G K Butschek	Non-Executive Director
Dr T A Leverton	Non-Executive Director (Resigned 31 <sup>st</sup> October 2017)

### Secretary:

Pennsec Limited

### Registered office:

18 Grosvenor Place  
London  
SW1X 7HS

### Business address:

4th Floor, International Automotive Research Centre  
University of Warwick  
Coventry  
CV4 7AL

### Auditor:

KPMG LLP  
One Snowhill  
Snowhill Queensway  
Birmingham  
B4 6GH

### Bankers:

HSBC Bank  
The Peak  
333 Vauxhall Bridge Road  
London  
SW1V 1EJ

### Solicitors:

Penningtons Solicitors LLP  
Basingstoke  
Hampshire  
RG21 4EQ



## STRATEGIC REPORT

Tata Motors European Technical Centre plc (TMETC) was established in 2005 by Indian parent company Tata Motors Limited (TML) as a wholly-owned subsidiary with the purpose of strengthening TML's technical capabilities through delivery of world-class automotive engineering services. Its success has allowed it to grow organically to its current strength of around 193 engineering and other professionals, and it is now an intrinsic part of TML's development capacity. Its location on the campus of University of Warwick (UoW) in the UK has been a key enabler both of attracting the right calibre of staff and conducting collaborative research with academia and with other commercial organizations. TMETC has a mandate to apply a proportion of its capacity to non-Tata brand customers to maintain and strengthen the skills base it is able to deploy on its core work for TML.

During the year TML has implemented a turnaround plan to improve its performance. A consequence of this was that TMETC's revenue was reduced, which triggered a restructure and downsizing activity which concluded on October 2017.

TMETC now has a focus on developing new products through NPI with Design and Engineering working in alignment. In parallel to this there is an emphasis on developing new enabling technologies to enhance the portfolio of products. These include Advanced Driver Assistance Systems (ADAS) which delivers ground breaking research in Autonomous vehicles and developing new propulsion systems such as Battery Electric vehicles (BEV's) to meet Corporate Average Fuel Efficiency (CAFE) targets.

It has been the intention to house TMETC in a purpose-built technical centre since the Company was established. In November 2013, the TML Board demonstrated its commitment to TMETC's long-term future through its approval of participation in the National Automotive Innovation Centre (NAIC). NAIC is a joint project of UoW, Jaguar Land Rover (JLR), and TMETC for an institution that fosters collaboration to create and develop innovative vehicle technologies. It will be housed in a new 33,000m<sup>2</sup> signature building on the campus of UoW. The expansion will result in TMETC's workforce nearly doubling in size in the next 4 to 5 years and provide the opportunity for the Company to increase its customer base given the increase in advanced resources at the Company's disposal.

The TML Board approved both TMETC's commitment to the project, and funding of up to £28.3M for its 30% share of the costs, which has now been fully funded through the infusion of new equity. Construction began in May 2015 and the building is planned to be ready for occupancy in 2018. Thereafter, TMETC will enjoy 17.5 years of occupancy at peppercorn rent.

Tata Group, including TML, is a signatory to the United Nations Global Compact and as part of the Group's corporate philosophy, individual Tata companies seek to contribute to development of the society local to their operations. TMETC fosters relationships with a network of universities for collaborative research and to contribute to students' education. TMETC's employees regularly make technical presentations at institutional and trade events, and provide inputs to the development of national policy, standards and legislation. The reduction of transport pollutants and CO<sub>2</sub> emissions is at the heart of much of the Company's engineering and development effort, and is exemplified by its hybridisation and light weighting projects.



## Strategic Report (Continued)

The Company's financial performance for the year ended 31 March 2018 is summarised below, and is compared with the previous year. The reduction in turnover is proportionate to the delivery requirements of the TML product cycle plan, which required reduced product development activity in the second half of the year.

	Before exceptional items	Exceptional items	2017-18 Total	2016-17 Total
	£'000	£'000	£'000	£'000
<b>Turnover</b>	<b>24,228</b>	-	<b>24,228</b>	<b>24,479</b>
Cost of Sales	(17,673)	-	(17,673)	(17,828)
<b>Gross Profit</b>	<b>6,555</b>	-	<b>6,555</b>	<b>6,651</b>
<i>Gross Profit Margin</i>	<i>27%</i>	-	<i>27%</i>	<i>27%</i>
Other operating income	1,529	-	1,529	1,242
Administrative expenses	(8,166)	(683)	(8,849)	(7,012)
<b>Operating (loss)/profit</b>	<b>(82)</b>	<b>(683)</b>	<b>(765)</b>	<b>881</b>
Exceptional item – Loss on disposal of assets	-	(910)	(910)	-
<b>(Loss)/profit on ordinary activities before finance charges and taxation</b>	<b>(82)</b>	<b>(1,593)</b>	<b>(1,675)</b>	<b>881</b>

During the year ended 31 March 2018 TML funded NAIC costs of £5.100M (2017: £15.064M). The Company has rolled over the existing loans and leaves outstanding loans totalling £6.250M, £4.250M (TML) and £2.000M (Australia New Zealand Banking Group).

The Company's fixed assets at the year-end totalled £3.672M (2017: £3.576M), comprising computer equipment and peripherals, workshop equipment, vehicles, office equipment, and intangible software licenses.

The volatility of the exchange rate has been felt by the company as the revaluation of tax debtors held in INR has resulted in an exchange loss to the Company of c£0.7m (2017: c£0.8m gain).

No dividends have been paid or are proposed on ordinary shares by the Company during the year.

During the last financial year TMETC has developed and implemented a revised business strategy to improve the alignment and links with TML and better position itself to exploit the opportunities provided by the NAIC. The senior leadership of TMETC has been strengthened to support the revised strategy.

The Company is exposed to several areas of risk, against which it implements the following mitigating actions on an on-going basis.

- Financial risks; where the Company may be subject to foreign exchange fluctuations, TMETC enters into the majority of its contracts with TML, other customers and suppliers in sterling.



### Strategic Report (Continued)

- Operational risks; where retention of its employees is vital to TMETC's progression and sustainability, the Company continually encourages its workforce to develop their technical and professional skills through the provision of training and degree courses. Regarding operational risks associated with its processes, and in line with its ISO 9001 accreditation, the Company updates its procedures, systems and policies on a regular basis and ensures they are being properly implemented and followed.
- Liquidity risks; where maintaining the necessary cash flows to ensure the smooth running of all business activities is paramount, including the Company's ability to repay the outstanding loans to ANZ and TML. The Company rigorously monitors its expected receipts from customers and payments to suppliers to enable it to forecast any potential working capital shortfalls and take action before they arise.
- Customer service risks; TMETC is heavily dependent on its parent for work and there always remains a risk that there may be a change in TML's supplier requirement. However, TMETC continually strives to provide the highest level of service to its customer to ensure customer satisfaction, through a regular questionnaire and feedback process.

For and on behalf of the Board  
**Tata Motors European Technical Centre plc**

4/5/18

J O'Connor  
*Director and Head*  
Tata Motors European Technical Centre plc  
18 Grosvenor Place  
London SW1X 7HS  
United Kingdom

# **Independent auditor's report to the members of Tata Motors European Technical Centre plc**

## **Opinion**

We have audited the financial statements of Tata Motors European Technical Centre plc ("the company") for the year ended 31 March 2018 which comprise the statement of financial position, statement of comprehensive income and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## **Going concern**

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least twelve months from the date of approval of the financial statements. We have nothing to report in these respects.

## **Strategic report and director's report**

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the strategic report and the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the strategic report and the directors' report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

## **Matters on which we are required to report by exception**

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

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

## **Independent auditor's report to the members of Tata Motors European Technical Centre plc (continued)**

- the directors were not entitled to take advantage of the small companies exemption from the requirement to prepare a strategic report.

We have nothing to report in these respects.

### **Directors' responsibilities**

As explained more fully in their statement set out on page 9, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

### **The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed



**Matthew Buckingham (Senior Statutory Auditor)**

**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

One Snowhill

Snow Hill Queensway

Birmingham

B4 6GH

*10 May 2018*



## Statement of comprehensive Income For the year ended 31 March 2018

	Notes	Before Exceptional Items £	31 March 2018 Exceptional Items £	Total £	31 March 2017 £
Turnover	2	24,228,227	-	24,228,227	24,479,453
Cost of sales		(17,672,542)	-	(17,672,542)	(17,828,225)
<b>Gross Profit</b>		<b>6,555,685</b>	-	<b>6,555,685</b>	<b>6,651,228</b>
Other operating income		1,528,537	-	1,528,537	1,242,078
Administrative expenses	8	(8,166,430)	(682,688)	(8,849,118)	(7,012,805)
<b>Operating (loss)/profit</b>		<b>(82,208)</b>	<b>(682,688)</b>	<b>(764,896)</b>	<b>880,501</b>
Exceptional item – loss on disposal of assets	8	-	(910,400)	(910,400)	-
<b>(Loss)/profit on ordinary activities before finance charges and taxation</b>		<b>(82,208)</b>	<b>(1,593,088)</b>	<b>(1,675,296)</b>	<b>880,501</b>
Net interest income	4	254,378	-	254,378	498,263
<b>(Loss)/profit before taxation</b>	3	<b>172,170</b>	<b>(1,593,088)</b>	<b>(1,420,918)</b>	<b>1,378,764</b>
Tax charge on (loss)/profit	7			(813,197)	(487,949)
<b>(Loss)/Profit for the financial year</b>				<b>(2,234,115)</b>	<b>890,815</b>

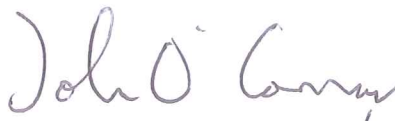
All activities are from continuing operations. There was no other comprehensive income for 2018 or 2017. The notes on pages 15 to 26 form part of these financial statements.



**Statement of Financial Position  
As at 31 March 2018**

	Notes	31 March 2018 £	31 March 2017 £
<b>Fixed Assets</b>			
Intangible Assets	9	552,198	1,031,760
Tangible Assets	10	3,119,697	2,544,174
		<u>3,671,895</u>	<u>3,575,934</u>
<b>Current Assets</b>			
Debtors			
- Due within one year	11	16,481,543	23,649,891
- Due after one year	11	25,641,856	22,052,924
Cash at bank and in hand		1,670,877	1,589,334
		<u>43,794,276</u>	<u>47,292,149</u>
Creditors: Amounts falling due within one year	12	(11,148,427)	(12,316,224)
		<u>32,645,849</u>	<u>34,975,925</u>
<b>Net Current Assets</b>			
		<u>36,317,744</u>	<u>38,551,859</u>
<b>Capital and Reserves</b>			
Called up share capital		53,998,427	53,998,427
Profit and loss account		(17,680,683)	(15,446,568)
		<u>36,317,744</u>	<u>38,551,859</u>
<b>Shareholders' Funds</b>			
		<u>36,317,744</u>	<u>38,551,859</u>

These financial statements were approved by the board of directors on ..... and were signed on its behalf by:

  
8/5/18

J O'Connor  
Director and Head  
Company registered number: 05551225



**Statement of Changes in Equity**  
**For the year ended 31 March 2018**

	Share Capital	Profit and Loss account	Total
	£	£	£
Balance at 1 April 2017	<u>53,998,427</u>	<u>(15,446,568)</u>	<u>38,551,859</u>
Loss for the period and other comprehensive income	-	(2,234,115)	(2,234,115)
Balance at 31 March 2018	<u>53,998,427</u>	<u>(17,680,683)</u>	<u>36,317,744</u>



## **Notes to the Financial Statements For the year ended 31 March 2018**

### **1. ACCOUNTING POLICIES**

#### **a) Basis of preparation**

The Company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 March 2013 the Company underwent transition from reporting under UK Generally Accepted Accounting Practice to Financial Reporting Standard 101 (FRS 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to

- IFRS 2 Share-based payment
- IFRS 3 Business Combinations
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
- IFRS 7 Financial Instruments: Disclosures
- IFRS 13 Fair Value Measurement
- IFRS 15 Revenue from Contracts with Customers
- IAS 1 Presentation of Financial Statements
- IAS 7 Statement of Cash Flows
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- IAS 24 Related Party Disclosures
- IAS 36 Impairment of Assets

The financial statements are prepared in accordance with the historical cost convention and on the going concern basis as noted in the Directors' Report.

#### **b) Going concern**

The Company closely manages its working capital through monthly and weekly reviews of its cash flow. In support of this, close working relationships have been established with debtors and creditors to maintain positive cash flow and prevent any requirements for an overdraft. Further to this, material expenditure is reviewed on a regular basis to ensure customer requirements are met. To mitigate against foreign exchange exposure relating to international suppliers, the Company purchases currency where possible in advance and leverages economies of scale.

The directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus the Company continues to adopt the going concern basis of accounting in preparing the annual financial statements.

#### **c) Turnover**

Turnover consists of amounts chargeable by the Company to its customers (at present primarily to the parent company) for services provided and is exclusive of value added tax. The turnover is derived from work undertaken for customers. Work is undertaken for customers either on the basis that time and materials are billed as incurred or according to the terms of fixed price contracts. For time and material contracts, turnover and profit are recognised when the right to consideration has been established according to time worked and materials expended. With respect to fixed price contracts, turnover is recognised over the life of the contract using the proportionate completion method based on defined stage of completion achieved, with contract costs determining the degree of completion. The life of the contract ends with the financial year so any expenditure (incurred during the year) which cannot achieve the defined milestone are written off in P&L in the same financial year. There will not be any carry forward costs or revenue with respect to any contracts, except Government grant contract which is governed by separate accounting standard.

#### **d) Tangible fixed assets**

Fixed assets are stated at cost less provision for depreciation and any impairment. Depreciation on tangible fixed assets is provided to write off the value (being cost less estimated residual value) of tangible fixed assets over their estimated useful economic lives below:



## Notes to the Financial Statements (continued) For the year ended 31 March 2018

### 1. ACCOUNTING POLICIES (continued)

#### d) Tangible fixed assets (continued)

Computer Equipment:	Over a period of 4 years
Office Equipment:	Over a period of 4 years
Engineering Equipment:	Over a period of 3-10 years; assessed by each individual asset
Motor Vehicles:	Over a period of 4 years

#### e) Intangible assets – research & development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is deferred and amortised over the period during which the Company is expected to benefit, which is expected to be four years. Provision is made for any impairment where the recoverable amount, being the higher of the intangible's net selling price and value in use, is less than the carrying value of the intangible.

#### f) Intangible assets – intellectual property

Intellectual property is included at cost and amortised in equal annual instalments over a period of 7 years which is their estimated useful economic life. Provision is made for any impairment, when required.

#### g) Intangible assets – perpetual licences & software

Perpetual licences and software are included at cost and amortised in equal annual instalments over a period of 4 - 5 years which is their estimated useful economic life. Provision is made for any impairment, when required.

#### h) Pensions & other benefits

The Company operates a Group Personal Pensions Plan (GPPP), which is a defined contributions scheme, provided by Aviva ('the provider') and arranged by Deven Yagnic Limited. The Company has constituted the said pension plan to attract and retain good talent from the industry. The Company makes a contribution of up to 6% of the employees' gross basic salary, subject to the employees' making a matching contribution towards the pension plan, as per the provisions of the Scheme. Pension costs for the Company's GPPP are charged to the Statement of comprehensive income in the year in which they are incurred. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the Statement of Financial Position.

The Company has also established an approved group life assurance plan for the benefit of the employees, which would provide financial protection to the employee's dependants in the event of the employee's death. HMRC has approved the said plan and the contributions paid towards the said plan would be eligible for deductions from profits chargeable to corporation tax under the Income and Corporation Taxes Act 1988 (ICTA 1988). The policy covers the insurance of the employees up to a limit of 4 times the employee's basic salary, subject to the overall Company ceiling cover of £1,250,000. Premiums paid towards the said policy have been charged to the Statement of comprehensive income in the year in which they are incurred.

The Company has also established a Group Income Protection Plan through Canada Life Limited ('Canada Life Group'), in order to provide finance to cover the work normally completed by the employee and protect employees' income in the event of their absence due to long term illness, whereby the employee is provided with a basic benefit of up to 50% of their basic annual salary up to a maximum period of 5 years. The benefits become payable after the expiry of 13 consecutive weeks from the date of incapacity of a member of the policy, subject to the rules of the policy. Premiums paid for the said income protection plan have been charged to the Statement of comprehensive income in the year in which they are incurred.



## **Notes to the Financial Statements (continued)** **For the year ended 31 March 2018**

### **1. ACCOUNTING POLICIES (continued)**

#### **i) Taxation**

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### **j) Foreign exchange**

Transactions denominated in foreign currencies are translated from the functional currency at the periodic rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates ruling at that date. These translation differences are dealt with in the Statement of comprehensive income.

#### **k) Finance costs**

Finance costs of financial liabilities are recognised in the Statement of comprehensive income over the term of such instruments at a constant rate on the carrying amount.

#### **l) Financial liabilities and equity instruments**

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

#### **m) Bank borrowings**

Interest-bearing bank loans are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the Statement of comprehensive income using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

#### **n) Liabilities and contingent liabilities**

The Company records a liability for any claims where a potential loss is probable and capable of being estimated and discloses such matters in its financial statements, if material. For potential losses that are considered possible, but not probable, the Company provides disclosure in the financial statements but does not record a liability in its accounts unless the loss becomes probable.

#### **o) Stocks**

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, transport and handling costs and any other directly attributable costs. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

During the year, the Company has continued following the processes regarding its contracts, whereby all contracts would cease on 31 March 2018, and new contracts would begin as of 1 April 2018, resulting in no contracts spanning the end of the year.



## Notes to the Financial Statements (continued) For the year ended 31 March 2018

### 1. ACCOUNTING POLICIES (continued)

#### p) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

#### q) Government grants

Government grants are recognised when there is reasonable assurance that the group will comply with the conditions attached to them and the grants will be received.

Government grants which have been made to reimburse expenses are charged to the Statement of comprehensive income when they become receivable and in the appropriate period so to match with the expenses which it relates.

The Company has opted to apply for the Research and Development Expenditure Credit (RDEC) for qualifying expenditure from 1 April 2013. In accordance with IAS 20 'Accounting for Government Grants and Disclosure of Government Assistance', the RDEC is included within other operating income and the associated taxation charge within taxation charges.

### 2. TURNOVER

Revenue for the year ended 31 March 2018 aggregated £24,228,227 (2017: £24,479,453), including £24,097,277 (2017: £24,314,969) from the provision of services to Tata Motors Limited and to Tata Sons Limited in India.

### 3. PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	31 March 2018 £	31 March 2017 £
(Loss)/profit on ordinary activities before taxation	(1,420,918)	1,378,764
<u>This is stated after charging/(crediting):</u>		
Depreciation & amortisation	944,983	1,179,841
Payment for licence to occupy land & buildings	1,343,517	1,492,143
Loss / (profit) on disposal of assets	14	(6,950)
Government grant income	(697,974)	(296,861)
RDEC	(830,564)	(944,824)
Foreign exchange losses / (gains)	684,367	(796,551)
Research and development expenditure	16,459,923	15,434,214
Exceptional- Loss on disposal of assets	910,400	-
<b>The analysis of auditors remuneration is as follows:</b>		
Audit fees	26,306	28,750



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2018**

**4. NET INTEREST INCOME**

	31 March 2018 £	31 March 2017 £
Interest on Indian tax	548,710	757,697
Other interest received	-	2,574
<b>Total interest income</b>	<b>548,710</b>	<b>760,271</b>
Interest expense on bank loan	(50,835)	(52,899)
Interest expense on loan taken (from group undertaking) **	(243,497)	(209,109)
<b>Total interest expense</b>	<b>(294,332)</b>	<b>(262,008)</b>
<b>Net interest income</b>	<b>254,378</b>	<b>498,263</b>

\*\* Further details regarding the loan provided and associated interest is contained within Note 12 herein.

**5. DIRECTORS' EMOLUMENTS**

	31 March 2018 £	31 March 2017 £
<b>Directors Remuneration</b>		
Emoluments	248,620	267,022
Bonus	95,489	69,460
Cash sum in lieu of Company Car	7,200	7,200
Pension contribution	8,894	8,640
	<b>360,203</b>	<b>352,322</b>



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2018**

**5. DIRECTORS' EMOLUMENTS (continued)**

	Number	Number
<b>The number of directors who:</b>		
Are members of a money purchase pension scheme	1	1
	<u>          </u>	<u>          </u>
	<b>31 March 2018</b>	<b>31 March 2017</b>
	£	£
<b>Remuneration of the highest paid director:</b>		
Emoluments	177,883	172,800
Bonus	75,314	-
Cash sum in lieu of Company Car	7,200	7,200
Pension contribution	8,894	8,640
	<u>          </u>	<u>          </u>
	<b>269,291</b>	<b>188,640</b>
	<u>          </u>	<u>          </u>

The Company has a money purchase pension scheme whereby personal contributions are matched up to 6%. There is no share option scheme in operation within the Company at present.

**6. EMPLOYEE INFORMATION**

	31 March 2018	31 March 2017
	£	£
<b>Permanent Staff Cost</b>		
Salaries & Wages (including directors, but excluding non-executive directors)	12,993,157	12,469,096
Social security costs	1,423,350	1,327,304
Other pension costs	587,906	567,776
	<u>          </u>	<u>          </u>
	<b>15,004,413</b>	<b>14,364,176</b>
	<u>          </u>	<u>          </u>
<b>Contractors Cost</b>	<b>1,734,201</b>	<b>2,306,365</b>
	<u>          </u>	<u>          </u>

**Number of Employees (including the directors but excluding non-executive directors)**

	31 March 2018 (Average In Numbers)	31 March 2017 (Average In Numbers)
Permanent	203	211
Contractors	21	27
	<u>          </u>	<u>          </u>
	<b>224</b>	<b>238</b>
	<u>          </u>	<u>          </u>

There were no unpaid pension contributions in the current year toward the pension scheme (2017: Nil).



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2018**

**7. TAXATION**

	31 March 2018 £	31 March 2017 £
<i>Analysis of tax charge on ordinary activities</i>		
<i>UK corporation tax</i>		
Current tax on income for the period	190,000	240,000
Adjustments in respect of prior periods	(33,887)	(52,707)
<i>Foreign tax</i>		
Current tax on income for the period	657,084	689,792
Adjustments in respect of prior periods	-	(66,357)
Expenses recognised for group relief	-	(322,779)
	<u>813,197</u>	<u>487,949</u>
<i>Deferred Tax:</i>		
Origination and reversal of temporary differences:		
Reduction in tax rate	-	-
Recognition of previously unrecognised tax losses	-	-
	<u>813,197</u>	<u>487,949</u>

**Factors affecting current tax charge for the period**

The taxation rate for the period is different to the standard rate of corporation tax in the UK of 19% (2016/17: 20%). These differences are reconciled below:

(Loss)/profit on ordinary activities before tax	(1,420,918)	1,378,764
Tax 19% (2016/17 at 20%)	(269,974)	275,753
<i>Effects of:</i>		
Movement in unrecognised deferred tax	330,343	6,275
Tax losses arising/(utilised) in the year	(92,562)	(130,484)
Research and Development Expenditure Credit (RDEC) debit/(credit) in respect of previous periods	222,193	88,456
Adjustments to tax charge in respect of previous periods	(33,887)	(66,357)
Irrecoverable overseas tax	657,084	689,792
Expenses recognised for group relief	-	(375,486)
<b>Total tax charge for the period</b>	<u>813,197</u>	<u>487,949</u>

A reduction in the UK corporation tax rate from 21% to 20% (effective from 1 April 2015) was substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015, and an additional reduction to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2018**

**8. EXCEPTIONAL ITEMS**

	31 March 2018 £	31 March 2017 £
<b>Nature of Exceptional Item</b>		
Severance costs (included within administrative expenses)	682,688	-
Disposal of fixed assets	910,400	-
	<u>1,593,088</u>	<u>-</u>

*During the year, the Company underwent a restructuring exercise as a result of a revision of the required product development by parent company, TML, which consequently led to a significant reduction in revenue. To compensate for this, the Company conducted a review of its organisational structure to ascertain whether any efficiencies could be gained. The outcome of this exercise was to downscale its current workforce, such that severance costs of £682,688 were incurred and fixed assets purchased to the value of £910,400 were no longer required. Such exceptional items have led to the tax charge reducing from £874,125 to the current charge of £813,197 (as per Note 7).*

**9. INTANGIBLE FIXED ASSETS**

	Perpetual Licences & Software £	Intellectual Property £	Total £
<b>Cost</b>			
As at 1 April 2017	3,846,963	1,834,978	5,681,941
Additions	64,065	-	64,065
Disposals	(35,055)	-	(35,055)
<b>As at 31 March 2018</b>	<u>3,875,973</u>	<u>1,834,978</u>	<u>5,710,951</u>
<b>Amortisation</b>			
As at 1 April 2017	3,339,481	1,310,700	4,650,181
Charge for the year	281,487	262,140	543,627
Disposals	(35,055)	-	(35,055)
<b>As at 31 March 2018</b>	<u>3,585,913</u>	<u>1,572,840</u>	<u>5,158,753</u>
<b>Net Book Value</b>			
As at 31 March 2018	<u>290,060</u>	<u>262,138</u>	<u>552,198</u>
As at 31 March 2017	<u>507,482</u>	<u>524,278</u>	<u>1,031,760</u>

*The Company considers its software assets not to be an integral part of the Company's plant and machinery and therefore classifies such items as intangible assets.*



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2018**

**10. TANGIBLE FIXED ASSETS**

	Computer Equipment £	Office & Engineering Equipment £	NAIC Assets under Construction £	Motor Vehicles £	Total Tangible Assets £
<b>Cost</b>					
As at 1 April 2017	2,299,086	1,521,744	1,777,361	284,092	5,882,283
Additions	56,649	6,796	1,757,480	66,368	1,887,293
Disposals	(597,424)	(54,591)	(910,400)	-	(1,562,415)
<b>As at 31 March 2018</b>	<b>1,758,311</b>	<b>1,473,949</b>	<b>2,624,441</b>	<b>350,460</b>	<b>6,207,161</b>
<b>Depreciation</b>					
As at 1 April 2017	1,865,836	1,273,504	-	198,769	3,338,109
Charge for the year	228,348	111,016	-	61,992	401,356
Disposals	(597,413)	(54,588)	-	-	(652,001)
<b>As at 31 March 2018</b>	<b>1,496,771</b>	<b>1,329,932</b>	<b>-</b>	<b>260,761</b>	<b>3,087,464</b>
<b>Net Book Value</b>					
As at 31 March 2018	<b>261,540</b>	<b>144,017</b>	<b>2,624,441</b>	<b>89,699</b>	<b>3,119,697</b>
As at 31 March 2017	433,250	248,240	1,777,361	85,323	2,544,174

Assets were purchased during the year for the Company's new facility, National Automotive Innovation Centre (NAIC), which is due to be occupied during 2018. Depreciation on such assets will begin once the assets are available for use.

Total assets disposed of during the year totalled £1.562M. Of this, £0.910M related to the disposal of assets purchased for the NAIC, however, the reduction in workforce, as a result of the restructuring exercise undertaken during the year, has led to such assets no longer being required and have therefore been disposed of during the year. The remaining disposals are as a result of the Company undertaking an extensive exercise to review its fixed assets in preparation for its move to the NAIC to ascertain which assets are no longer required or not in use.

As at 31 March 2018, there were no fixed assets held under finance leases.



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2018**

**11. DEBTORS**

	As at 31 March 2018	As at 31 March 2017
	£	£
<u>Amounts falling due within one year</u>		
Trade debtors	25,752	65,278
Amounts due from parent company	8,846,754	11,252,093
VAT	56,026	153,545
Accrued income and other debtors	25,408	107,046
Prepayments	2,299,075	744,907
Withholding tax recoverable and associated interest	3,594,077	8,066,492
Research and Development Expenditure Credit	1,634,451	3,260,530
	<u>16,481,543</u>	<u>23,649,891</u>
<u>Amounts falling due after one year</u>		
Prepayments	25,641,856	22,052,924
	<u>42,123,399</u>	<u>45,702,815</u>

*During the year, the Company has recovered a significant proportion of its withholding taxes from the Indian tax authorities. The remaining balance is believed to be recovered in due course.*

**12. CREDITORS FALLING DUE WITHIN ONE YEAR**

As at the end of the year ending 31 March 2018, the details of creditors falling due within one year are given below:

	As at 31 March 2018	As at 31 March 2017
	£	£
Bank loan	2,000,000	2,000,000
Loan from parent company	4,250,000	4,250,000
Trade creditors	1,151,084	1,754,223
Loan Interest payable to parent company	153,050	144,292
Other creditors	35,272	503,195
Other taxation and social security	1,235,690	743,434
Accruals	2,323,331	2,921,080
	<u>11,148,427</u>	<u>12,316,224</u>

*The said bank loan from Australia and New Zealand Banking Group (ANZ) was provided during December 15 and its roll forward in December 2017 for 1 year. The parent company has also provided a letter of comfort regarding the loan, should its assistance be needed. Interest is calculated at LIBOR + 200 basis points on a daily basis, based on actual number of days elapsed from the date of drawdown of the facility, and is accrued from the first day of the initial draw down of the facility, and is calculated accordingly. The rate of interest as at the balance sheet date is 2.576% p.a.*

*The £2,250,000 unsecured loan from the parent company was agreed in December 2013, after renegotiation of the reduction in the bank loan. Interest is accrued and calculated at the twelve month LIBOR + 300 basis points and is reset on an annual basis. A further £2,000,000 unsecured loan from the parent company was provided during February 2016, whereby interest is calculated on the same basis as the original £2,000,000 loan provided from its parent company.*



## Notes to the Financial Statements (continued) For the year ended 31 March 2018

### 13. DEFERRED TAX

There are no recognised deferred tax amounts in the current and preceding year.

	As at 31 March 2018 £	As at 31 March 2017 £
<i>Analysis of unrecognised deferred tax balance</i>		
Capital allowances in excess of depreciation	(1,306,053)	(1,186,869)
Other short term timing differences	-	(21,706)
Tax losses carried forward	(2,512,119)	(2,558,821)
RDEC	(2,021,469)	(1,051,559)
	<u>(5,839,641)</u>	<u>(4,818,955)</u>

At 31 March 2018 the Company had unused trading losses of £14,777,173 (2017: £14,694,880). No provision for deferred tax has been recognised in respect of these losses and other timing differences due to the uncertainty over whether there will be sufficient taxable profits in future periods to use them.

### 14. TOTAL COMMITMENTS

	As at 31 March 2018 £ Other	As at 31 March 2017 £ Other
<u>Expiry Date:</u>		
- Within one year	2,061,733	1,393,784
- Between two and five years	6,751,786	7,446,846
- After five years	21,119,524	23,237,652
	<u>29,933,043</u>	<u>32,078,282</u>

The Company has entered into a long term agreement for the development and funding of the National Automotive Innovation Centre (NAIC) at the University of Warwick in collaboration with the University of Warwick and Jaguar Land Rover Limited. Under the terms of the agreement the Company will be contributing towards the construction costs of NAIC based on an agreed proportion subject to a maximum commitment. The contribution is expected to provide the Company tenancy rights in NAIC premises for a term of seventeen years and six months from the date of completion of NAIC. The Company has committed total funding of £28.8M under the Agreement of which £27.2M has been paid till 31 March 2018 (£22M till 31 March 2017) which has been included as prepayments within other non-current debtor classification and remaining maximum commitments under the agreement is £28.8M as at 31 March 2018. This commitment is supported by a Deed of Guarantee from parent for funding the Company's share of the project.

The Company has several rental commitments regarding various sites from which it operates, the largest of which concerns the site based at the University of Warwick; rental costs for the year ended 31 March 2018 totalled £748,125 (2017: £856,313).

### 15. DEFINED CONTRIBUTION SCHEMES

The total cost charged to income of £587,906 (2017: £567,776) represents contributions payable to these schemes by the group at rates specified in the rules of the plans.

### 16. ULTIMATE CONTROLLING PARTY

The parent undertaking of the Company is Tata Motors Limited, a public limited company incorporated and domiciled in India, which is an associate of Tata Sons Limited.

Tata Motors Limited is the parent company of the group to which this Company belongs and for which the smallest and largest group accounts are prepared. Copies of the consolidated financial statements of Tata Motors Limited can be obtained from the parent's registered office situated at Bombay House, 24 Horni Mody Street, Mumbai 400 001, India.



## Notes to the Financial Statements (continued) For the year ended 31 March 2018

### 17. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption available under FRS 101 Section 8 not to disclose details of transactions with wholly owned group members.

Trading transactions with non-wholly owned group companies are summarised below:

#### Purchase of goods or services

	31 March 2018 £	31 March 2017 £
Tata Sons Limited	9,907	307
Tata Consultancy Services Limited	42,792	-
Trilix srl	77,116	291,157
	<u>129,815</u>	<u>291,464</u>

#### Trade Creditor Balances

	As at 31 March 2018 £	As at 31 March 2017 £
Tata Elxsi Limited	-	4,579
Tata Sons Limited	71,837	61,199
	<u>71,837</u>	<u>65,778</u>

#### Sales of goods or services

	31 March 2018 £	31 March 2017 £
Tata Sons Limited	175,075	165,205
	<u>175,075</u>	<u>165,205</u>

#### Trade Debtor Balances

	As at 31 March 2018 £	As at 31 March 2017 £
Tata Sons Limited	-	41,301
Tata Consultancy Services Limited	4,742	5,324
	<u>4,742</u>	<u>46,625</u>

All transactions with related parties are on arm's length basis.