



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

For the Year Ended 31 March 2017

Company Registration No: 05551225



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Company information

Directors:

Dr T A Leverton	Non-Executive Director
Mr J O'Connor	Executive Director
Mr D G Bassett	Non-Executive Director (Appointed 4 th July 2016)
Mr G K Butschek	Non-Executive Director (Appointed 4 th July 2016)

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:

Deloitte LLP
Four Brindleyplace
Birmingham
B1 2HZ

Bankers:

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

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 247 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.

Since the change in management during the early part of 2016, TMETC underwent a strategic review and developed a new Vision, Mission and Values. Resulting from this were 8 new Company-specific objectives. Throughout the year, progress against the objectives was reviewed on a monthly basis using a balanced scorecard of 20 KPI's with owners and targets.

In line with direction from the Group Chairmen and TML MD in January 2013, TMETC's role has been focused on advanced engineering and the new vehicle concept development stages of the product development cycle. These phases, prior to full programme approval and industrialisation, include critical design and engineering decisions but relatively low resource commitments, and so it is the period when TMETC can offer maximum added value to the parent company. TML's current priorities resulted in an almost exclusive focus on Tata brand passenger vehicle work; new projects for Tata commercial vehicles and external customers were not being pursued during the year. The Company's activities were characterised by a relatively small number of high value projects of strategic importance to TML. These projects' costs are now being capitalised by the shareholder in line with its profitable business plans for the vehicle programmes, thus increasing shareholder wealth.

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 33,000m² 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 CO₂ 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.

TMETC makes charitable contributions through its participation in Group-wide initiatives, as an individual company, and through providing matched contributions to funds raised by employees for human charities. In total, the company and its employees donated £5,608 in 2016-17, with the largest single beneficiary being Warwickshire and Northamptonshire Air Ambulance (£3,036), followed by Macmillan 4/4, The Myton Hospices and various other charities.



Strategic Report (Continued)

The Company's financial performance for the year ended 31 March 2017 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.

	2016-17	2015-16
	£'000	£'000
Turnover	24,479	25,928
Cost of Sales	(17,828)	(18,942)
Gross Profit	6,651	6,986
<i>Gross Profit Margin</i>	<i>27%</i>	<i>27%</i>
Other operating income	1,242	1,309
Administrative expenses	(7,013)	(7,570)
Profit on ordinary activities before finance charges and taxation	880	725
Exceptional item – Restructuring	-	(976)
Profit/(Loss) on ordinary activities before finance charges and taxation	880	(251)

During the year ended 31 March 2017 TML funded NAIC costs of £15.064M through equity infusions, bringing total equity to £53.998M. The Company has rolled over the existing loans and leaves outstanding loans totalling £6.250M, £4.250M (TML) and £2.0M (Australia New Zealand Banking Group).

The Company's fixed assets at the year-end totalled £3.576M (2016: £3.056M), comprising computer equipment and peripherals, workshop equipment, vehicles, office equipment, and intangible software licenses.

Further to the fall in the value of Sterling following the Brexit referendum result in June 2016, the revaluation of tax debtors held in INR has resulted in an exchange gain to the Company of c£0.8m.

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 National Automotive Innovation Centre (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.
- 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.



Strategic Report (Continued)

- 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

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



DIRECTORS' REPORT

1. Employees

During the year ended 31 March 2017, the Company's vision was to be "The choice for automotive product creation" through its mission "Excellence, efficiency and value in design and engineering solutions". In pursuit of this mission, TMETC aims to attract, develop and retain the best automotive talent. It strongly encourages continuous professional development and membership of the relevant professional institutions across all functions. In addition to fulfilling vocational training needs identified through the annual appraisal process, TMETC has a well-established policy of supporting up to 5% of its permanent workforce through degree courses by the payment of fees and providing study leave.

There continues to be a major skills shortage in this sector in the UK, and competition for experienced automotive engineers remains fierce. Therefore since 2011-12, TMETC has been recruiting graduates directly from university in addition to more experienced staff. An Institution of Mechanical Engineers (IMechE) accredited Monitored Professional Development Scheme (MPDS) has been established to progress engineering graduates to Chartered status. In 2016-17, the Company has 2 graduates going through MPDS, 3 apprentices and took on 2 internships assisting their development and giving the Company extended experience of potential future recruits.

There were 247 employees at the end of the financial year (March 2016: 254), consisting of 219 permanent and 28 contractors. The Company is an equal opportunities employer.

2. Board of directors

The Board of Directors is the apex decision making body within the Company. On 4th July 2016, Mr Dewi Gethin Bassett and Mr Guenter Karl Butschek were appointed as non-Executive directors in TMETC board. The other directors continue to be Dr Timothy A Leverton and Mr John O'Connor (Director and Head).

The Company's Articles do not mandate the retirement of directors by rotation. Accordingly, none of the Directors seeks re-appointment by the shareholders.

In January 2007, the Committee of the Board signed an agreement with Tata Sons Limited to adopt formally the 'Tata Code of Conduct'. This is a comprehensive document that serves as the ethical road map for Tata Group employees and companies.

3. Post balance sheet events

There have been no significant post balance sheet events since the financial year ending 31 March 2017 which have had a material effect on the business of the Company and require disclosure in the Directors' Report or the financial statements.

4. Directors' indemnities

Tata Motors Limited, the parent company of Tata Motors European Technical Centre plc, has made qualifying third party indemnity provisions for the benefit of the directors of its subsidiary companies, which were made during the year and remain in force at the date of this report.



Directors' Report (continued)

5. Auditor

Each of the persons who is a director at the date of this report confirms that:

- a) So far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- b) The director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of the Companies Act 2006. Deloitte LLP will no longer be acting as TMETC's auditors going forward, subsequently, new auditors are to be appointed.

6. Going Concern

After making enquiries, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The directors regularly review the financial, operational, liquidity and customer service risks which may affect the Company and take appropriate steps to mitigate any such risks, where necessary, as outlined in the Strategic Report. The Company has received an indication of expected ongoing revenue from its primary customer, the parent company, through an agreed budget that covers a substantial part of the coming year's revenue.

In addition, the parent company has provided a letter of comfort ensuring support with the Company's cash requirements, should it be needed, as well as a letter of comfort to ANZ Bank, which is TMETC's lender. Accordingly they continue to adopt the going concern basis in preparing the financial statements. The Board has reviewed the strategy and objectives of the Company and feel there is no danger or risk with regards to going concern.

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

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



DIRECTORS' RESPONSIBILITIES STATEMENT

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 "Reduced Disclosure Framework". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TATA MOTORS EUROPEAN TECHNICAL CENTRE PLC

We have audited the financial statements of Tata Motors European Technical Centre Plc for the year ended 31 March 2017 which comprise Statement of comprehensive income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter[s] prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

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



INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF TATA MOTORS EUROPEAN TECHNICAL CENTRE PLC (Continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Jonathan Dodworth (Senior statutory auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditor
Birmingham, United Kingdom



Statement of comprehensive Income
For the year ended 31 March 2017

	Notes	31 March 2017 £	31 March 2016 £
Turnover	2	24,479,453	25,927,669
Cost of sales		<u>(17,828,225)</u>	<u>(18,941,498)</u>
Gross Profit		6,651,228	6,986,171
Other operating income		1,242,078	1,308,848
Administrative expenses		<u>(7,012,805)</u>	<u>(7,570,424)</u>
Operating Profit		880,501	724,595
Exceptional item – Restructuring	8	<u>-</u>	<u>(975,705)</u>
Profit / (Loss) on ordinary activities before finance charges and taxation		880,501	(251,110)
Net interest income	4	<u>498,263</u>	<u>8,062</u>
Profit / (Loss) on ordinary activities before taxation	3	1,378,764	(243,048)
Tax charge on profit/(loss) on ordinary activities	7	(487,949)	(406,530)
Profit / (Loss) for the year being total comprehensive income / expense		<u>890,815</u>	<u>(649,578)</u>

All activities are from continuing operations. There was no other comprehensive income for 2017 or 2016. The notes on pages 15 to 27 form part of these financial statements



**Statement of Financial Position
As at 31 March 2017**

	Notes	31 March 2017 £	31 March 2016 £
<u>Fixed Assets</u>			
Intangible Assets	9	1,031,760	1,683,289
Tangible Assets	10	2,544,174	1,372,808
		3,575,934	3,056,097
Debtors Due after One Year	11	22,052,924	8,962,248
<u>Current Assets</u>			
Debtors			
- Due within one year	11	23,649,891	18,028,396
Cash at bank and in hand		1,589,334	5,451,962
		25,239,225	23,480,358
Creditors: Amounts falling due within one year	12	(12,316,224)	(12,097,829)
		12,923,001	11,382,529
Net Current Assets		12,923,001	11,382,529
Total Assets less Current Liabilities		38,551,859	23,400,874
Creditors: Amounts falling due after one year	13	-	(804,427)
Net Assets		38,551,859	22,596,447
<u>Capital and Reserves</u>			
Called up share capital		53,998,427	38,933,830
Profit and loss account		(15,446,568)	(16,337,383)
Shareholders' Funds		38,551,859	22,596,447

The notes on pages 15 to 27 form part of these financial statements

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board by

Mr J O'Connor
Director and Head
Company No: 05551225



Statement of Changes in Equity
For the year ended 31 March 2017

	Share Capital	Profit and Loss account	Total
	£	£	£
Balance at 1 April 2015	31,392,495	(15,687,805)	15,704,690
Loss for the period and other comprehensive income	-	(649,578)	(649,578)
Issue of ordinary share capital	3,000,000	-	3,000,000
Issue of fully paid, not called up ordinary share capital	4,541,335	-	4,541,335
Balance at 31 March 2016	38,933,830	(16,337,383)	22,596,447
Balance at 1 April 2016	38,933,830	(16,337,383)	22,596,447
Profit for the period and other comprehensive income	-	890,815	890,815
Issue of ordinary share capital	15,064,597	-	15,064,597
Balance at 31 March 2017	53,998,427	(15,446,568)	38,551,859



Notes to the Financial Statements For the year ended 31 March 2017

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 2017**

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. This period is between three and five 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 St James's Place Ltd ('SJP'). 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 Balance Sheet.

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 2017**

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 2017, and new contracts would begin as of 1 April 2017, resulting in no contracts spanning the end of the year.



Notes to the Financial Statements (continued)
For the year ended 31 March 2017

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 2017 aggregated £24,479,453 (2016: £25,927,669), including £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 2017 £	31 March 2016 £
Profit/(Loss) on ordinary activities before taxation	1,378,764	(243,048)
<u>This is stated after charging/(crediting):</u>		
Depreciation & amortisation	1,179,841	1,466,022
Payment for licence to occupy land & buildings	1,492,143	1,395,766
(Profit) on disposal of assets	(6,950)	(9,854)
Government grant income	(296,861)	(132,281)
RDEC	(944,824)	(1,175,381)
Foreign exchange (gains) / losses	(796,551)	41,490
Research and development expenditure	15,434,214	18,941,498
The analysis of auditors remuneration is as follows:		
Audit fees	28,750	27,500



Notes to the Financial Statements (continued)
For the year ended 31 March 2017

4. NET INTEREST INCOME

	31 March 2017	31 March 2016
	£	£
Interest on Indian tax	757,697	200,000
Other interest received	2,574	(6,067)
	<hr/>	<hr/>
Total interest income	760,271	193,933
Interest expense on bank loan	(52,899)	(64,642)
Interest expense on loan taken (from group undertaking) **	(209,109)	(121,229)
	<hr/>	<hr/>
Total interest expense	(262,008)	(185,871)
	<hr/>	<hr/>
Net interest income	498,263	8,062

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

5. DIRECTORS' EMOLUMENTS

	31 March 2017	31 March 2016
	£	£
Directors Remuneration		
Emoluments	267,022	385,475
Bonus	69,460	110,458
Cash sum in lieu of Company Car	7,200	15,142
Pension contribution	8,640	18,780
	<hr/>	<hr/>
	352,322	529,855



Notes to the Financial Statements (continued)
For the year ended 31 March 2017

5. DIRECTORS' EMOLUMENTS (continued)

	Number	Number
The number of directors who:		
Are members of a money purchase pension scheme	1	1
	<u> </u>	<u> </u>
	31 March 2017	31 March 2016
	£	£
Remuneration of the highest paid director:		
Emoluments	172,800	172,800
Bonus	-	86,400
Cash sum in lieu of Company Car	7,200	7,200
Pension contribution	8,640	8,640
	<u>188,640</u>	<u>275,040</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 2017	31 March 2016
	£	£
Permanent Staff Cost		
Salaries & Wages (including directors, but excluding non-executive directors)	12,469,096	12,971,282
Social security costs	1,327,304	1,406,610
Other pension costs	567,776	591,230
	<u>14,364,176</u>	<u>14,969,122</u>
Contractors Cost	<u>2,306,365</u>	<u>2,999,203</u>

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

	31 March 2017	31 March 2016
	(Average In Numbers)	(Average In Numbers)
Permanent	211	224
Contractors	27	35
	<u>238</u>	<u>259</u>

There were no unpaid pension contributions in the current year toward the pension scheme (2016: Nil).



Notes to the Financial Statements (continued)
For the year ended 31 March 2017

7. TAXATION

	31 March 2017	31 March 2016
	£	£
<i>Analysis of tax charge on ordinary activities</i>		
UK Corporation tax for the period	240,000	290,000
Adjustments to UK tax in respect of previous periods	(52,707)	(63,164)
Foreign tax of current period	689,792	426,060
Adjustments to foreign tax in respect of previous periods	(66,357)	(246,366)
Expenses recognised for group relief	(322,779)	-
	487,949	406,530
<u>Deferred Tax:</u>		
Deferred tax charge	-	-
Adjustments in respect of previous periods	-	-
	487,949	406,530
Tax charge on ordinary activities	487,949	406,530

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 (20%). This differences are reconciled below:

Profit/(Loss) on ordinary activities before tax	1,378,764	(243,048)
Tax 20% (2016/17 at 20%)	275,753	(48,610)
<u>Effects of:</u>		
Movement in unrecognised deferred tax	6,275	412,653
Tax losses arising/(utilised) in the year	(130,484)	(21,820)
Research and Development Expenditure Credit (RDEC) debit/(credit) in respect of previous periods	88,456	54,924
Adjustments to tax charge in respect of previous periods	(66,357)	(309,528)
Irrecoverable overseas tax	689,792	318,911
Expenses recognised for group relief	(375,486)	-
Total tax charge for the period	487,949	406,530

During the period, the Finance Act 2016 was enacted which confirmed that the main rate of Corporation tax would be 20% from 1 April 2017. Accordingly, UK Corporation tax has been provided at 20%.



Notes to the Financial Statements (continued)
For the year ended 31 March 2017

8. EXCEPTIONAL ITEMS - RESTRUCTURING

Nature of Exceptional Item	31 March 2017 £	31 March 2016 £
Redundancy costs	-	(975,705)
	<u>-</u>	<u>(975,705)</u>

There were no redundancies done during the current financial year. In the previous financial year 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 restructuring costs of £975,705 were incurred.

9. INTANGIBLE FIXED ASSETS

	Perpetual Licences & Software £	Intellectual Property £	Total £
Cost			
As at 1 April 2016	3,772,872	1,834,978	5,607,850
Additions	74,091	-	74,091
As at 31 March 2017	<u>3,846,963</u>	<u>1,834,978</u>	<u>5,681,941</u>
Amortisation			
As at 1 April 2016	2,876,001	1,048,560	3,924,561
Charge for the year	463,480	262,140	725,620
As at 31 March 2017	<u>3,339,481</u>	<u>1,310,700</u>	<u>4,650,181</u>
Net Book Value			
As at 31 March 2017	<u>507,482</u>	<u>524,278</u>	<u>1,031,760</u>
As at 31 March 2016	<u>896,871</u>	<u>786,418</u>	<u>1,683,289</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 2017

10. TANGIBLE FIXED ASSETS

	Computer Equipment £	Office & Engineering Equipment £	NAIC Assets under Construction £	Motor Vehicles £	Total Tangible Assets £
Cost					
As at 1 April 2016	2,069,671	1,446,094	528,140	239,848	4,283,753
Additions	229,415	75,650	1,249,221	84,534	1,638,820
Disposals	-	-	-	(40,290)	(40,290)
As at 31 March 2017	2,299,086	1,521,744	1,777,361	284,092	5,882,283
Depreciation					
As at 1 April 2016	1,600,692	1,114,464	-	195,301	2,910,457
Charge for the year	265,144	159,040	-	30,499	454,683
Disposals	-	-	-	(27,031)	(27,031)
As at 31 March 2017	1,865,836	1,273,504	-	198,769	3,338,109
Net Book Value					
As at 31 March 2017	433,250	248,240	1,777,361	85,323	2,544,174
As at 31 March 2016	468,979	331,142	528,140	44,547	1,372,808

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.

As at 31 March 2017, there were no fixed assets held under finance leases.



Notes to the Financial Statements (continued)
For the year ended 31 March 2017

11. DEBTORS

	As at 31 March 2017	As at 31 March 2016
	£	£
<u>Amounts falling due within one year</u>		
Trade debtors	65,278	84,131
Amounts due from parent company	11,252,093	5,986,860
VAT	153,545	702,798
Accrued income and other debtors	107,046	86,443
Prepayments	744,907	668,499
Withholding tax recoverable and associated interest	8,066,492	6,748,972
Research and Development Expenditure Credit	3,260,530	3,750,693
	23,649,891	18,028,396
<u>Amounts falling due after one year</u>		
Prepayments	22,052,924	8,962,248
	45,702,815	26,990,644

The Company believes it is able to recover the withholding taxes recoverable. Of the total withholding tax recoverable, £1,357,127 (2016: £3,334,221) is under dispute with Indian tax authorities.

12. CREDITORS FALLING DUE WITHIN ONE YEAR

As at the end of the year ending 31 March 2017, the details of creditors falling due within one year are given below:

	As at 31 March 2017	As at 31 March 2016
	£	£
Bank loan	2,000,000	2,000,000
Loan from parent company	4,250,000	4,250,000
Trade creditors	1,754,223	1,499,926
Loan Interest payable to parent company	144,292	60,339
Amounts due to group company	503,195	804,427
Other creditors	-	21,246
Other taxation and social security	743,434	37,768
Accruals	2,912,080	3,424,123
	12,316,224	12,097,829

The said bank loan from Australia and New Zealand Banking Group (ANZ) was provided during December 15 and its roll forward in December 2016 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 2.53001% 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. These loans are rolled forward in December 16 and March 17 respectively for another 1 year.



Notes to the Financial Statements (continued)
For the year ended 31 March 2017

13. CREDITORS FALLING DUE AFTER ONE YEAR

As at the end of the year ending 31 March 2017, the details of creditors falling due beyond one year are given below:

	As at 31 March 2017 £	As at 31 March 2016 £
Amounts due to group company	-	804,427
	<u>-</u>	<u>804,427</u>

14. DEFERRED TAX

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

	As at 31 March 2017 £	As at 31 March 2016 £
Analysis of unrecognised deferred tax balance		
Capital allowances in excess of depreciation	(1,186,869)	(1,168,855)
Other short term timing differences	(21,706)	(34,135)
Tax losses carried forward	(2,558,821)	(2,435,947)
RDEC	<u>(1,051,559)</u>	<u>(1,019,687)</u>
	<u>(4,818,955)</u>	<u>(4,658,624)</u>

At 31 March 2017 the Company had unused trading losses of £15,051,890 (2016: £15,704,305). 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.

15. TOTAL COMMITMENTS

	As at 31 March 2017 £	As at 31 March 2016 £
	Other	Other
<u>Expiry Date:</u>		
- Within one year	120,712	-
- Between two and five years	1,404,217	1,077,469
- After five years	-	-
	<u>1,524,929</u>	<u>1,077,469</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 £22.0M has been paid till 31 March 2017 (£9M till 31 March 2016) 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 2017. 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 2017 totalled £856,313 (2016: £976,263).



Notes to the Financial Statements (continued)
For the year ended 31 March 2017

16. DEFINED CONTRIBUTION SCHEMES

The total cost charged to income of £567,776 (2016: £591,230) represents contributions payable to these schemes by the group at rates specified in the rules of the plans.

17. 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 Homi Mody Street, Mumbai 400 001, India.

18. 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 2017	31 March 2016
	£	£
Tata Sons Limited	307	93,579
Tata Consultancy Services Limited	-	30,867
	<u>307</u>	<u>124,446</u>

Trade Creditor Balances

	As at 31 March 2017	As at 31 March 2016
	£	£
Tata Elxsi Limited	4,579	4,579
Tata Sons Limited	61,199	283
	<u>65,778</u>	<u>4,852</u>

Sales of goods or services

	31 March 2017	31 March 2016
	£	£
Tata Sons Limited	165,205	160,284
	<u>165,205</u>	<u>160,284</u>



Notes to the Financial Statements (continued)
For the year ended 31 March 2017

18. RELATED PARTY TRANSACTIONS (continued)

Trade Debtor Balances

	As at 31 March 2017	As at 31 March 2016
	£	£
Tata Sons Limited	41,301	40,071
Tata Consultancy Services Limited	5,324	30,867
	<u>46,625</u>	<u>70,938</u>

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