



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

**For the Year Ended 31 March 2019**

Company Registration No: 05551225



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## Company information

### Directors:

Mr J O'Connor	Non-Executive Director
Mr D G Bassett	Non-Executive Director
Mr G K Butschek	Non-Executive Director

### Secretary:

Pennsec Limited  
125 Wood Street  
London  
EC2V 7AW

### Registered office:

18 Grosvenor Place  
London  
SW1X 7HS

### Business address:

Prof. Lord Bhattacharyya Building  
National Automotive Innovation Centre  
Lord Bhattacharyya Way  
University of Warwick  
Coventry  
CV4 7AL

### Auditor:

KPMG LLP  
One Snowhill  
Snowhill Queensway  
Birmingham  
B4 6GH

### Bankers:

HSBC Bank  
PO BOX 125  
2<sup>nd</sup> Floor  
62-76 Park Street  
London  
SE1 9DZ

### Solicitors:

Penningtons Manches LLP  
Da Vinci House  
Basing View  
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.

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.

In December 2018 TMETC moved into 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 is a new 33,000m<sup>2</sup> signature building on the campus of UoW. This 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 available to the Company.

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. 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 2019 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.

	2018-19 Total	2017-18 Total
	£'000	£'000
<b>Revenue</b>	<b>20,048</b>	<b>24,228</b>
Cost of Sales	(15,225)	(17,673)
<b>Gross Profit</b>	<b>4,823</b>	<b>6,555</b>
<i>Gross Profit Margin</i>	24%	27%
Other operating income	1,610	1,529
Administrative expenses	(8,534)	(8,849)
<b>Operating loss</b>	<b>(2,101)</b>	<b>(765)</b>
Exceptional item – Loss on disposal of assets	-	(910)
<b>Loss on ordinary activities before finance charges and taxation</b>	<b>(2,101)</b>	<b>(1,675)</b>

During the year ended 31 March 2019 TML funded NAIC costs of £1.3M (2018: £5.1M). The Company has rolled over the existing loans and leaves outstanding loans totalling £6.25M, £4.25M (TML) and £2.0M (Australia New Zealand Banking Group).

The Company's tangible and intangible assets at the year-end totalled £5.8M (2018: £3.67M), comprising computer equipment and peripherals, workshop equipment, vehicles, office equipment and intangible software licenses.

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**

J O'Connor  
*Director*  
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 mission was to "Innovate mobility solutions with passion to enhance quality of life" through its vision to be "The preferred choice for TML (customers) in delivering Excellence, Efficiency and Value in Design and Engineering Solutions". In pursuit of this mission during the year ended 31 March 2019, TMETC continues to recruit, 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.

There were 181 employees at the end of the financial year (March 2018: 193), consisting of 159 permanent and 22 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. Messrs Guenter Karl Butschek, Dewi Gethin Bassett and John O'Connor are non-Executive directors in TMETC board.

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 2019 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.

### **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.



## Directors' Report (continued)

### 6. Going Concern

The financial statements have been prepared on a going concern basis which assumes that the company will continue in operational existence for the foreseeable future, being a period of at least 12 months from the signing of these financial statements. 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 meets its day to day working capital requirements from cash balances, together with a loan of £2m from ANZ Bank (due to expire in December 2019) and loans of £4.25m and trading balances from companies in the group headed by Tata Motors Limited, the ultimate parent (see note 11 and 17).

The Directors have prepared base and sensitised forecasts for the 15-month period through to 30 June 2020, which indicate that the company will be capable of operating within its available facilities should they remain available at existing levels.

The Directors are confident that the loan of £2m from ANZ Bank will be refinanced or extended on acceptable terms when it expires in December 2019. In addition, based on the forecasts, the Directors have received confirmation from the ultimate parent of its intention to continue to make available such funds as are needed to enable to company to meet its liabilities as they fall due, including, if needed, to repay the ANZ loan on maturity.

On this basis and notwithstanding the loss in the financial year, the directors believe it is appropriate for the financial statements to be prepared on a going concern basis.

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

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



**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), 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 judgements and estimates that are reasonable and prudent;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use 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.

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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



## **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 2019 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 2019 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.

### **Brexit and other matters**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the company's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

### **Going concern**

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the company or to cease its operations, and as they have concluded that the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

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 a year from the date of approval of the financial statements. In our evaluation of the directors' conclusions, we considered the inherent risks to the company's business model, including the impact of Brexit, and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the company will continue in operation.



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

### **Strategic report and directors' 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
- 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).



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

### **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.

**John Leech (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
*KPMG LLP*  
*One Snowhill*  
*Snow Hill Queensway*  
*Birmingham*  
*B4 6GH*



**Statement of comprehensive Income**  
**For the year ended 31 March 2019**

	Notes	31 March 2019 £	31 March 2018 £
Revenue	2	20,047,626	24,228,227
Cost of sales		<u>(15,225,249)</u>	<u>(17,672,542)</u>
<b>Gross Profit</b>		<b>4,822,377</b>	<b>6,555,685</b>
Other operating income		1,610,009	1,528,537
Administrative expenses	8	<u>(8,533,764)</u>	<u>(8,849,118)</u>
<b>Operating loss</b>		<b>(2,101,378)</b>	<b>(764,896)</b>
Exceptional item – loss on disposal of assets	8	-	(910,400)
<b>Loss on ordinary activities before finance charges and taxation</b>		<b>(2,101,378)</b>	<b>(1,675,296)</b>
Net interest income	4	<u>144,333</u>	<u>254,378</u>
<b>Loss before taxation</b>	3	<b>(1,957,045)</b>	<b>(1,420,918)</b>
Tax charge on (loss)/profit	7	<u>(310,022)</u>	<u>(813,197)</u>
<b>Loss for the financial year</b>		<b>(2,267,067)</b>	<b>(2,234,115)</b>

All activities are from continuing operations. There was no other comprehensive income for 2019 or 2018. The notes on pages 16 to 28 form part of these financial statements.



**Statement of Financial Position**  
**As at 31 March 2019**

	Notes	31 March 2019 £	31 March 2018 £
<b>Fixed Assets</b>			
Intangible Assets	9	118,210	552,198
Property, plant and equipment	10	<u>5,677,766</u>	<u>3,119,697</u>
		<b>5,795,976</b>	<b>3,671,895</b>
<b>Current Assets</b>			
Debtors			
- Due within one year	11	12,102,725	16,481,543
- Due after one year	11	25,727,618	25,641,856
Cash at bank and in hand		1,549,495	1,670,877
		<u>39,379,838</u>	<u>43,794,276</u>
Creditors: Amounts falling due within one year	12	(11,125,137)	(11,148,427)
		<u>28,254,701</u>	<u>32,645,849</u>
<b>Net Current Assets</b>		<b>28,254,701</b>	<b>32,645,849</b>
		<u>34,050,677</u>	<u>36,317,744</u>
<b>Net Assets</b>		<b>34,050,677</b>	<b>36,317,744</b>
<b>Capital and Reserves</b>			
Called up share capital		53,998,427	53,998,427
Profit and loss account		(19,947,750)	(17,680,683)
<b>Shareholders' Funds</b>		<u>34,050,677</u>	<u>36,317,744</u>

These financial statements were approved by the board of directors on 28th June 19 and were signed on its behalf by:

J O'Connor  
Director  
Company registered number: 05551225

The notes on pages 16 to 28 form part of these financial statements.



**Statement of Changes in Equity**  
**For the year ended 31 March 2019**

	<b>Share Capital</b>	<b>Profit and Loss account</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>
<b>Balance at 1 April 2018</b>	<u><b>53,998,427</b></u>	<u><b>(17,680,683)</b></u>	<u><b>36,317,744</b></u>
Loss for the period and other comprehensive income	-	(2,267,067)	(2,267,067)
<b>Balance at 31 March 2019</b>	<u><b>53,998,427</b></u>	<u><b>(19,947,750)</b></u>	<u><b>34,050,677</b></u>

The notes on pages 16 to 28 form part of these financial statements.



## **Notes to the Financial Statements For the year ended 31 March 2019**

### **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. The financial statements have therefore been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (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 company has adopted the following IFRSs in these financial statements:

- IFRS 15: Revenue from Contract with Customers
- IFRS 9: Financial Instruments

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 company meets its day to day working capital requirements from cash balances, together with a loan of £2m from ANZ Bank (due to expire in December 2019) and loans of £4.25m and trading balances from companies in the group headed by Tata Motors Limited, the ultimate parent (see note 11 and 17).

The Directors have prepared base and sensitised forecasts for the 15-month period through to 30 June 2020, which indicate that the company will be capable of operating within its available facilities should they remain available at existing levels.

The Directors are confident that the loan of £2m from ANZ Bank will be refinanced or extended on acceptable terms when it expires in December 2019. In addition, based on the forecasts, the Directors have received confirmation from the ultimate parent of its intention to continue to make available such funds as are needed to enable the company to meet its liabilities as they fall due, including, if needed, to repay the ANZ loan on maturity.

On this basis and notwithstanding the loss in the financial year, the directors believe it is appropriate for the financial statements to be prepared on a going concern basis.

#### **c) Revenue**

The Company has adopted IFRS 15 during the year (applicable from 1 January 2018), but does not believe its adoption to have a material impact on the financial statements.



## **Notes to the Financial Statements (continued)** **For the year ended 31 March 2019**

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

#### **c) Revenue (continued)**

Revenue consists of amounts chargeable by the Company to its customers (at present primarily to the parent company) for engineering and design consultancy services provided and is exclusive of value added tax. The Company recognises revenue when performance obligations are satisfied, which can be over a period of time. Only when both the Company and customer are satisfied that the performance obligations have been fulfilled is payment approved.

The life of the contract ends with the financial year so any expenditure incurred during the year, which cannot achieve the performance obligations are written off in P&L in the same financial year. As a result, no contract assets or liabilities are recognised as at 31 March 2019.

The exception to this is Government grant contract which is governed by a 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:

Computer Equipment:	Over a period of 4 years
Office Equipment:	Over a period of 4 years
Engineering Equipment:	Over a period of 4-10 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 Royal London ('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



## **Notes to the Financial Statements (continued)** **For the year ended 31 March 2019**

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

#### **h) Pensions & other benefits (continued)**

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.

#### **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.



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2019**

**1. ACCOUNTING POLICIES (continued)**

**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 ceased on 31 March 2019, and new contracts begins as of 1 April 2019, resulting in no contracts spanning the end of the year.

**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. 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.

**r) Changes in significant accounting policies**

The Company has initially applied IFRS 15 and IFRS 9 from 1 January 2018 but they do not have a material effect on the Company's financial statements.

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

**2. REVENUE**

Revenue for the year ended 31 March 2019 aggregated £20,047,626 (2018: £24,228,227), including revenue from the provision of services to Tata Motors Limited and to Tata Sons Limited in India. The geographical breakdown of the Company's revenue is depicted below:

	<b>For the year ended 31 March 2019</b>	<b>For the year ended 31 March 2018</b>
	£	£
UK revenue	121,739	130,650
Indian revenue	19,925,887	24,097,577
	<u>20,047,626</u>	<u>24,228,227</u>



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2019**

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

	31 March 2019 £	31 March 2018 £
<b>Loss on ordinary activities before taxation</b>	<b>(1,957,045)</b>	<b>(1,420,918)</b>
<u>This is stated after charging/(crediting):</u>		
Depreciation & amortisation	1,147,199	944,983
Payment for licence to occupy land & buildings	2,022,582	1,343,517
Loss / (profit) on disposal of assets	(27,752)	14
Government grant income	(205,538)	(697,974)
RDEC	(1,404,471)	(830,564)
Foreign exchange losses	91,034	684,367
Research and development expenditure	14,709,519	16,459,923
Exceptional- Loss on disposal of assets	-	910,400
<b>The analysis of auditor's remuneration is as follows:</b>		
Audit fees	26,306	26,306

**4. NET INTEREST INCOME**

	31 March 2019 £	31 March 2018 £
Interest on Indian tax	477,858	548,710
Other interest received	183	-
<b>Total interest income</b>	<b>478,041</b>	<b>548,710</b>
Interest expense on bank loan	(54,816)	(50,835)
Interest expense on loan taken (from group undertaking) *	(278,892)	(243,497)
<b>Total interest expense</b>	<b>(333,708)</b>	<b>(294,332)</b>
<b>Net interest income</b>	<b>144,333</b>	<b>254,378</b>

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



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2019**

**5. DIRECTORS' EMOLUMENTS**

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£</b>	<b>£</b>
<b>Directors Remuneration</b>		
Emoluments	30,834	248,620
Bonus	-	95,489
Cash sum in lieu of Company Car	1,200	7,200
Pension contribution	1,542	8,894
	<u><b>33,576</b></u>	<u><b>360,203</b></u>

	<b>Number</b>	<b>Number</b>
<b>The number of directors who:</b>		
Are members of a money purchase pension scheme	<u>1</u>	<u>1</u>

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£</b>	<b>£</b>
<b>Remuneration of the highest paid director:</b>		
Emoluments	30,834	177,883
Bonus	-	75,314
Cash sum in lieu of Company Car	1,200	7,200
Pension contribution	1,542	8,894
	<u><b>33,576</b></u>	<u><b>269,291</b></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.



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2019**

**6. EMPLOYEE INFORMATION**

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£</b>	<b>£</b>
<b>Permanent Staff Cost</b>		
Salaries & Wages (including directors, but excluding non-executive directors)	10,605,796	12,993,157
Social security costs	1,196,441	1,423,350
Other pension costs	474,452	587,906
	<u>12,276,689</u>	<u>15,004,413</u>
<b>Contractors Cost</b>	<u>1,583,990</u>	<u>1,734,201</u>

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

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>(Average In Numbers)</b>	<b>(Average In Numbers)</b>
Permanent	164	203
Contractors	19	21
	<u>183</u>	<u>224</u>

There were no unpaid pension contributions in the current year toward the pension scheme (2018: Nil).



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2019**

**7. TAXATION**

	31 March 2019 £	31 March 2018 £
<b><i>Analysis of tax charge on ordinary activities</i></b>		
<u>UK corporation tax</u>		
Current tax on income for the period	266,850	190,000
Adjustments in respect of prior periods	-	(33,887)
<u>Foreign tax</u>		
Current tax on income for the period	28,807	657,084
Adjustments in respect of prior periods	14,365	-
Expenses recognised for group relief	-	-
	<b>310,022</b>	<b>813,197</b>
<u>Deferred Tax:</u>		
Origination and reversal of temporary differences:		
Reduction in tax rate	-	-
Recognition of previously unrecognised tax losses	-	-
Tax on profit	<b>310,022</b>	<b>813,197</b>

***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% (2017/18: 19%). These differences are reconciled below:

Loss on ordinary activities before tax	(1,957,045)	(1,420,918)
Tax 19% (2017/18 at 19%)	(371,839)	(269,974)
<u>Effects of:</u>		
Movement in unrecognised deferred tax	196,048	330,343
Tax losses arising/(utilised) in the year	231,973	(92,562)
Research and Development Expenditure Credit (RDEC) debit/(credit) in respect of previous periods	216,141	222,193
Adjustments to tax charge in respect of previous periods	14,365	(33,887)
Irrecoverable overseas tax	23,334	657,084
Expenses recognised for group relief	-	-
<b>Total tax charge for the period</b>	<b>310,022</b>	<b>813,197</b>

*The UK Corporation tax rate has been steadily decreasing in recent years, whereby the tax rate reduced from 20% to 19% (effective from 1 April 2017), which was substantively enacted on 26 October 2015. Further reductions are intended to reduce the tax rate to 17% (effective from 1 April 2020) which 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 2019**

**8. EXCEPTIONAL ITEMS**

	31 March 2019 £	31 March 2018 £
<b>Nature of Exceptional Item</b>		
Severance costs (included within administrative expenses)	-	682,688
Disposal of fixed assets	-	910,400
	<u>-</u>	<u>1,593,088</u>

*During the previous 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. No further exceptional costs were incurred in the current year.*

**9. INTANGIBLE FIXED ASSETS**

	Perpetual Licences & Software £	Intellectual Property £	Total £
<b>Cost</b>			
As at 1 April 2018	3,875,973	1,834,978	5,710,951
Additions	1,120	-	1,120
Disposals	(70,397)	-	(70,397)
<b>As at 31 March 2019</b>	<u><b>3,806,696</b></u>	<u><b>1,834,978</b></u>	<u><b>5,641,674</b></u>
<b>Amortisation</b>			
As at 1 April 2018	3,585,913	1,572,840	5,158,753
Charge for the year	172,970	262,138	435,108
Disposals	(70,397)	-	(70,397)
<b>As at 31 March 2019</b>	<u><b>3,688,486</b></u>	<u><b>1,834,978</b></u>	<u><b>5,523,464</b></u>
<b>Net Book Value</b>			
As at 31 March 2019	<u><b>118,210</b></u>	<u><b>-</b></u>	<u><b>118,210</b></u>
As at 31 March 2018	<u>290,060</u>	<u>262,138</u>	<u>552,198</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 2019**

**10. PROPERTY, PLANT AND EQUIPMENT**

	Computer Equipment £	Office & Engineering Equipment £	NAIC Assets under Construction £	Motor Vehicles £	Total Tangible Assets £
<b>Cost</b>					
As at 1 April 2018	1,758,311	1,473,949	2,624,441	350,460	6,207,161
Additions	922,345	431,792	1,922,568	7,072	3,283,777
Disposals	(17,179)	(133,844)	-	(97,231)	(248,254)
Reclassification	744,159	3,789,233	(4,547,009)	-	(13,617)
<b>As at 31 March 2019</b>	<b>3,407,636</b>	<b>5,561,130</b>	<b>-</b>	<b>260,301</b>	<b>9,229,067</b>
<b>Depreciation</b>					
As at 1 April 2018	1,496,771	1,329,932	-	260,761	3,087,464
Charge for the year	282,162	388,961	-	40,968	712,091
Disposals	(17,179)	(133,844)	-	(97,231)	(248,254)
<b>As at 31 March 2019</b>	<b>1,761,754</b>	<b>1,585,049</b>	<b>-</b>	<b>204,498</b>	<b>3,551,301</b>
<b>Net Book Value</b>					
<b>As at 31 March 2019</b>	<b>1,645,882</b>	<b>3,976,081</b>	<b>-</b>	<b>55,803</b>	<b>5,677,766</b>
As at 31 March 2018	261,540	144,017	2,624,441	89,699	3,119,697

*Assets were purchased during the year for the Company's new facility, National Automotive Innovation Centre (NAIC), which was occupied during December 2018. Assets intended for use at the NAIC had previously been classified separately to other asset categories, however, upon occupation in December 18, such assets have been reclassified to its relevant categories when the assets came into use and depreciation of such assets began. The reclassified balance of £14k concerns assets capitalised but have subsequently been expensed.*

*As at 31 March 2019, there were no fixed assets held under finance leases.*



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2019**

**11. DEBTORS**

	As at 31 March 2019	As at 31 March 2018
	£	£
<u>Amounts falling due within one year</u>		
Trade debtors	256,991	25,752
Amounts due from parent company	3,128,162	8,846,754
VAT	540,317	56,026
Accrued income and other debtors	32,571	25,408
Prepayments	2,285,664	2,299,075
Withholding tax recoverable and associated interest	3,911,398	3,594,077
Research and Development Expenditure Credit	1,947,622	1,634,451
	<u>12,102,725</u>	<u>16,481,543</u>
<u>Amounts falling due after one year</u>		
Prepayments	25,727,618	25,641,856
	<u>37,830,343</u>	<u>42,123,399</u>

*During the year, the Company continued to recover 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 2019, the details of creditors falling due within one year are given below:

	As at 31 March 2019	As at 31 March 2018
	£	£
Bank loan	2,000,000	2,000,000
Loan from parent company	4,250,000	4,250,000
Trade creditors	1,471,323	1,151,084
Loan Interest payable to parent company	201,418	153,050
Other creditors	17,148	35,272
Other taxation and social security	1,394,111	1,235,690
Accruals	1,791,137	2,323,331
	<u>11,255,137</u>	<u>11,148,427</u>

*The said unsecured bank loan from Australia and New Zealand Banking Group (ANZ) was provided during December 15. It has been rolled forward until 27 December 2019 and is repayable at that date. The parent company has 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 during March 19 was 2.90% 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. It has been rolled forward to 31 December 2019 and is repayable at that date. 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. It has been rolled forward to 31 March 2020 and is repayable at that date. The parent company has provided a letter of comfort ensuring support with the Company's cash requirements, should it be needed, to enable the Company to meet its financial obligations as they fall due and to continue to trade.*



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2019**

**13. DEFERRED TAX**

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

	As at 31 March 2019 £	As at 31 March 2018 £
<b>Analysis of unrecognised deferred tax balance</b>		
Capital allowances in excess of depreciation	(1,498,840)	(1,306,053)
Other short term timing differences	-	-
Tax losses carried forward	(2,801,578)	(2,512,119)
RDEC expenditure claim	<u>(1,427,611)</u>	<u>(2,021,469)</u>
	<b><u>(5,728,029)</u></b>	<b><u>(5,839,641)</u></b>

At 31 March 2019 the Company had unused trading losses of £16,479,873 (2018: £15,258,960). 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 2019 £ Other	As at 31 March 2018 £ Other
<u>Expiry Date:</u>		
- Within one year	1,730,044	2,061,733
- Between two and five years	6,785,174	6,751,786
- After five years	<u>20,046,183</u>	<u>21,119,524</u>
	<b><u>28,561,401</u></b>	<b><u>29,933,043</u></b>

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 £28.5M has been paid till 31 March 2019 (£27.2M till 31 March 2018) 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 2019. This commitment is supported by a Deed of Guarantee from parent for funding the Company's share of the project.

Given the occupation of the NAIC, several rental commitments have ceased during the year resulting in the largest rental commitment concerning the NAIC.

**15. DEFINED CONTRIBUTION SCHEMES**

The total cost charged to income of £474,452 (2018: £587,906) 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 Homi Mody Street, Mumbai 400 001, India.



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2019**

**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**

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£</b>	<b>£</b>
Tata Limited	47,931	52,190
Tata Communications (UK) Limited	15,900	15,900
Tata Elxsi	-	42,792
Tata Quality Management Services Ltd	1,700	-
Tata Sons Limited	6,875	9,907
Tata Technologies Europe Limited	15,000	66,780
Trilix srl	19,340	77,116
	<u><b>106,746</b></u>	<u><b>264,685</b></u>

**Trade Creditor Balances**

	<b>As at 31 March 2019</b>	<b>As at 31 March 2018</b>
	<b>£</b>	<b>£</b>
Tata Limited	9,808	3,685
Tata Quality Management Services Ltd	1,100	-
Tata Sons Limited	-	71,837
Tata Technologies Europe Limited	3,000	-
Trilix srl	1,129	-
	<u><b>15,037</b></u>	<u><b>75,522</b></u>

**Sales of goods or services**

	<b>31 March 2019</b>	<b>31 March 2018</b>
	<b>£</b>	<b>£</b>
Tata Sons Limited	<u>87,538</u>	<u>175,075</u>
	<u><b>87,538</b></u>	<u><b>175,075</b></u>

**Trade Debtor Balances**

	<b>As at 31 March 2019</b>	<b>As at 31 March 2018</b>
	<b>£</b>	<b>£</b>
Tata Consultancy Services Limited	<u>4,672</u>	<u>4,742</u>
	<u><b>4,672</b></u>	<u><b>4,742</b></u>

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