



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

**For the Financial Year Ending 31 March 2016**

Company Registration No: 05551225



## Contents

	<b>Page</b>
Officers and Professional Advisors	3
Strategic report	4
Directors' Report	6
Directors' Responsibilities Statement	8
Independent Auditor's Report	9
Statement of Profit or Loss and Other Comprehensive Income	11
Balance Sheet	12
Statement of Changes in Equity	13
Notes to the Financial Statements	14



## **Officers and Professional Advisers**

### **Directors:**

Dr T A Leverton	Non-Executive Director
Mr N H Fell	Executive Director (Resigned 29 <sup>th</sup> February 2016)
Mr J O'Connor	Executive Director (Appointed 26 <sup>th</sup> February 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 Brindley Place  
Birmingham  
B1 2HZ

### **Bankers:**

Standard Chartered Bank  
1 Basinghall Avenue  
London  
EC2V 5DD

### **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 238 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 has been through a downsizing restructure which commenced in April 2015 and concluded in July 2015. This resulted in 19 roles being made redundant. Subsequent to that, TMETC has undergone a strategic review and developed a new Vision, Mission and Values. Resulting from this are 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 33,000m<sup>2</sup> signature building on the campus of UoW.

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 to date has been through the infusion of new equity. Legal agreements have now been signed between the three partners, the NAIC site groundworks have been completed, and the main contractor has been appointed by UoW. Construction began in May 2015 and the building is planned to be ready for occupancy in 2017. Thereafter, TMETC will enjoy 17.5 years of occupancy at peppercorn rent.

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

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 £9,703 in 2015-16, with the largest single beneficiary being Cancer Research UK (£3,229), followed by Engineering Development Trust, Macmillan Cancer Support, Cancer Research UK and various other charities.



**Tata Motors European Technical Centre plc**  
Financial statements for the year ended 31 March 2016

The Company's financial performance for the year ended 31 March 2016 is summarised below, and is compared with the previous year. The reduction in turnover is as a result of the downsizing restructure which took place in the first half of the year.

	2015-16 £'000	2014-15 £'000
Turnover	25,928	37,432
Cost of Sales	(18,942)	(27,497)
<b>Gross Profit</b>	<b>6,986</b>	<b>9,935</b>
<i>Gross Profit Margin</i>	27%	27%
Other operating income	1,309	3,927
Administrative expenses	(7,570)	(8,533)
<b>Operating Profit</b>	<b>725</b>	<b>5,329</b>
Exceptional item – Restructuring	(976)	-
<b>(Loss)/Profit on ordinary activities before finance charges and taxation</b>	<b>(251)</b>	<b>5,329</b>

During the year ended 31 March 2016 TML funded NAIC costs of £7.541M through equity infusions, bringing total equity to £38.994M. While ensuring that sufficient funds are available for ongoing operations and future developments, the Company reduced its debt by repaying £1.875M to Standard Chartered Bank. This 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 £3.024M (2015: £3.440M), comprising computer equipment and peripherals, workshop equipment, vehicles, office equipment, and intangible software licenses.


In response to the budget cuts instigated by TML, TMETC reduced its contract workforce by two thirds and made 19 redundancies. Due to the upheaval, the company has also suffered substantial attrition during the year.

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

With the appointment of the new Director and Head, TMETC is further strengthening its ties and links to TML. In doing this, great emphasis is being placed on future planning. TMETC is now in the process of establishing a focus and direction for the new technologies it is developing with a planned route to market for the customer.

The Company's activities expose it, to a degree, to the financial risks of changes in foreign currency exchange rates. The Company reduces its exposure by entering into all contracts with TML and other customers in sterling. Therefore the parent Company has taken on any foreign exchange risks and can mitigate against currency fluctuations using the various financial instruments available to it.

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

  
3/6/16

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



## **DIRECTORS' REPORT**

### **1. Employees**

Tata Motors' mission is "To be passionate in anticipating and providing the best vehicles and experiences that excite our customers globally". 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 2015-16, the Company has 5 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 259 employees at the end of the financial year (March 2015: 324), consisting of 224 permanent (March 2015: 256) and 35 contractors (March 2015: 68). The Company is an equal opportunities employer.

### **2. Board of directors**

The Board of Directors is the apex decision making body within the Company. Mr John O'Connor was appointed Executive Director on 26<sup>th</sup> February 2016, and Mr Nicholas H Fell resigned as Executive Director on 29<sup>th</sup> February 2016. Dr Timothy A Leverton continues as Non-Executive Director.

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 formally adopt 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 2016 which have had a material effect on the business of the Company and require disclosure in the Directors' Report or the financial statements.

### **4. Trade suppliers' payment policy**

The Company agrees payment terms with its suppliers when it enters into binding purchase contracts. The Company seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions and to treat all its suppliers fairly and has a standard which deals specifically with the payment of suppliers. When an invoice from a supplier is contested, it is Company policy to have the dispute or difference settled between both parties in an amicable and expeditious manner.

### **5. 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.



**6. 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 has expressed its willingness to continue in office. The Board recommends that it be reappointed.

**7. 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. 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.

The directors review regularly the credit, liquidity and cash flow risks which may affect the Company and take appropriate steps to mitigate any such risks, where necessary. The Company has indication of forecasted revenue from its primary customer and has a budget that covers a substantial part of the coming year's revenue.

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

3/6/16

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 2016 which comprise the Statement of Profit or Loss and Other Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 21. The financial reporting framework that has been applied in their preparation is applicable law and Financial Reporting Standard 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 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.



**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

8 June 2016



**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 31 March 2016**

	Notes	31 March 2016 £	31 March 2015 £
Turnover	2	25,927,669	37,431,626
Cost of sales		<u>(18,941,498)</u>	<u>(27,497,105)</u>
<b>Gross Profit</b>		<b>6,986,171</b>	<b>9,934,521</b>
Other operating income		1,308,848	3,927,235
Administrative expenses		<u>(7,570,424)</u>	<u>(8,532,654)</u>
<b>Operating Profit</b>		<b>724,595</b>	<b>5,329,102</b>
Exceptional item – Restructuring	8	<u>(975,705)</u>	<u>-</u>
<b>(Loss)/Profit on ordinary activities before finance charges and taxation</b>		<b>(251,110)</b>	<b>5,329,102</b>
Net interest income	4	<u>8,062</u>	<u>1,038,064</u>
<b>(Loss)/Profit on ordinary activities before taxation</b>	3	<b>(243,048)</b>	<b>6,367,166</b>
Tax charge on (loss)/profit on ordinary activities	7	<u>(406,530)</u>	<u>(3,333,393)</u>
<b>(Loss)/Profit from ordinary activities and other comprehensive income</b>	17	<b><u>(649,578)</u></b>	<b><u>3,033,773</u></b>

All activities are from continuing operations.



**Balance Sheet**  
**As at 31 March 2016**

	Notes	31 March 2016 £	31 March 2015 £
<b>Fixed Assets</b>			
Intangible Assets	9	1,683,289	2,338,901
Tangible Assets	10	1,372,808	1,101,113
		<u>3,056,097</u>	<u>3,440,014</u>
<b>Current Assets</b>			
Stocks	11	-	479,857
Debtors			
- Due within one year	12	18,028,396	22,444,789
- Due after one year	12	8,962,248	3,062,368
Cash at bank and in hand		5,451,962	2,211,788
		<u>32,442,606</u>	<u>28,198,802</u>
Creditors: Amounts falling due within one year	13	(12,097,829)	(12,075,272)
		<u>20,344,777</u>	<u>16,123,530</u>
<b>Net Current Assets</b>		<b>20,344,777</b>	<b>16,123,530</b>
<b>Total Assets less Current Liabilities</b>		<b>23,400,874</b>	<b>19,563,544</b>
Creditors: Amounts falling due after one year	14	(804,427)	(3,858,854)
		<u>22,596,447</u>	<u>15,704,690</u>
<b>Net Assets</b>		<b>22,596,447</b>	<b>15,704,690</b>
<b>Capital and Reserves</b>			
Called up share capital	16	38,933,830	31,392,495
Profit and Loss and Other Comprehensive Income	17	(16,337,383)	(15,687,805)
		<u>22,596,447</u>	<u>15,704,690</u>
<b>Shareholders' Funds</b>		<b>22,596,447</b>	<b>15,704,690</b>

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

3/6/16



**Statement of Changes in Equity**  
**For the year ended 31 March 2016**

		Share Capital	Profit and Loss and Other Comprehensive Income	Total
	Notes	£	£	£
<b>Balance at 1 April 2015</b>		<u>31,392,495</u>	<u>(15,687,805)</u>	<u>15,704,690</u>
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
<b>Balance at 31 March 2016</b>	15 & 16	<u>38,933,830</u>	<u>(16,337,383)</u>	<u>22,596,447</u>



## **Notes to the Financial Statements For the year ended 31 March 2016**

### **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. This transition is not considered to have had a material effect on the financial statements.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to business combinations, share-based payment, non-current assets held for sale, financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective, impairment of assets and related party transactions.

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 forward purchases currency where possible 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 on long term contracts. 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, with contract costs determining the degree of completion. Revenue and profit are recognised from project variations when it is expected that it will be recovered from customers. Foreseeable losses on such contracts are recognised when probable.

#### **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:

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



## **Notes to the Financial Statements (continued)** **For the year ended 31 March 2016**

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

#### **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 Profit and Loss and Other 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 Profit and Loss and Other 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 Profit and Loss and Other 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.



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2016**

**1. ACCOUNTING POLICIES (continued)**

**j) Cash flow statement**

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 101 Section 8 not to present a cash flow statement.

**k) 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 Profit and Loss and Other Comprehensive Income.

**l) Long-term contracts**

Amounts recoverable on long-term contracts, which are included in debtors, are stated at the net sales value of the work done less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account. Cumulative costs incurred net of amounts transferred to cost of sales, less provision for contingencies and anticipated future losses on contracts are included in the work in progress balance within stocks.

**m) Finance costs**

Finance costs of financial liabilities are recognised in the Statement of Profit and Loss and Other Comprehensive Income over the term of such instruments at a constant rate on the carrying amount.

**n) 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.

**o) 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 Profit and Loss and Other 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.

**p) 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.

**q) 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.

**r) 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.



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2016**

**1. ACCOUNTING POLICIES (continued)**

**s) 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 Profit and Loss and Other 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 2016 aggregated £25,927,669 (2015: £37,431,626), including £25,861,187 from the provision of services to India.

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

	31 March 2016 £	31 March 2015 £
<b>(Loss)/Profit on ordinary activities before taxation</b>	<b>(243,048)</b>	<b>6,367,166</b>
<u>This is stated after charging/(crediting):</u>		
Depreciation & amortisation	1,466,022	1,463,045
Payment for licence to occupy land & buildings	1,395,766	1,476,304
(Profit) on disposal of assets	(9,854)	(405)
Government grant income	(132,281)	(332,235)
RDEC	(1,175,381)	(3,595,000)
Foreign exchange losses/(gains)	41,490	(578,507)
Research and development expenditure	18,941,498	27,497,105
<b>The analysis of auditors remuneration is as follows:</b>		
Audit fees	27,500	27,500



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2016**

**4. NET INTEREST EXPENSE**

	31 March 2016 £	31 March 2015 £
Bank interest received	-	3,575
Interest on Indian tax	200,000	966,102
Write back of excess interest accounted in earlier years *	-	279,543
<b>Total interest income</b>	<b>200,000</b>	<b>1,249,220</b>
Interest expense on bank loan	(64,642)	(89,463)
Interest expense on loan taken (from group undertaking) **	(121,229)	(109,986)
Interest on Indian tax	-	(11,707)
Other interest	(6,067)	-
<b>Total interest expense</b>	<b>(191,938)</b>	<b>(211,156)</b>
<b>Net interest expense</b>	<b>3,062</b>	<b>1,038,064</b>

\* The Company had previously recognised an interest expense of £279,543 regarding a 6% dividend payable on redeemable preference shares held by its parent company. The said redeemable preference shares were converted to ordinary shares during the year ended 31 March 2012. The associated dividend was no longer deemed payable as at 31 March 2015.

\*\* Further details regarding the loan provided and associated interest is contained within Note 13 herein.

**5. DIRECTORS' EMOLUMENTS**

	31 March 2016 £	31 March 2015 £
<b>Directors Remuneration</b>		
Emoluments	385,475	275,288
Bonus	110,458	120,000
Cash sum in lieu of Company Car	15,142	13,000
Pension contribution	18,780	16,000
	<b>529,855</b>	<b>424,288</b>



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2016**

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

	Number	Number
<b>The number of directors who:</b>		
Are members of a money purchase pension scheme	1	1
	<u>          </u>	<u>          </u>
	<b>31 March 2016</b>	<b>31 March 2015</b>
	£	£
<b>Remuneration of the highest paid director:</b>		
Emoluments	172,800	200,000
Bonus	86,400	100,000
Cash sum in lieu of Company Car	7,200	13,000
Pension contribution	8,640	16,000
	<u>275,040</u>	<u>329,000</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 2016	31 March 2015
	£	£
<b>Permanent Staff Cost</b>		
Salaries & Wages (including directors, but excluding non-executive directors)	12,971,282	15,461,745
Social security costs	1,406,610	1,578,818
Other pension costs (See Note 18)	591,230	612,004
	<u>14,969,122</u>	<u>17,652,567</u>
<b>Contractors Cost</b>	<u>2,999,203</u>	<u>5,815,642</u>

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

	31 March 2016	31 March 2015
	(Average In Numbers)	(Average In Numbers)
Permanent	224	261
Contractors	35	78
	<u>259</u>	<u>339</u>

There were no unpaid pension contributions in the current year toward the pension scheme (2015: Nil).



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2016**

**7. TAXATION**

	31 March 2016 £	31 March 2015 £
<i>Analysis of tax charge on ordinary activities</i>		
UK Corporation tax for the period	290,000	357,000
Adjustments to UK tax in respect of previous periods	(63,164)	435,850
Foreign tax of current period	426,060	1,049,410
Adjustments to foreign tax in respect of previous periods	(246,366)	(117,721)
Expenses recognised for group relief	-	1,608,854
	<u>406,530</u>	<u>3,333,393</u>
<u>Deferred Tax:</u>		
Deferred tax charge	-	-
Adjustments in respect of previous periods	-	-
	<u>406,530</u>	<u>3,333,393</u>
<b>Tax charge on ordinary activities</b>	<b><u>406,530</u></b>	<b><u>3,333,393</u></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 (21%). This differences are reconciled below:

(Loss)/Profit on ordinary activities before tax	(243,048)	6,367,166
Tax 20% (2014/15 at 21%)	(48,610)	1,337,104
<u>Effects of:</u>		
Expense/(Income) not deductible/taxable for tax purposes	31,236	(12,222)
Capital allowances less than depreciation	138,629	147,959
Other timing differences	242,788	119,748
Tax losses arising/(utilised) in the year	(21,820)	(617,263)
Research and Development Expenditure Credit (RDEC) debit/(credit) in respect of previous periods	54,924	(397,950)
Adjustments to tax charge in respect of previous periods	(309,528)	318,129
Irrecoverable overseas tax	318,911	829,034
Expenses recognised for group relief	-	1,608,854
<b>Total tax charge for the period</b>	<b><u>406,530</u></b>	<b><u>3,333,393</u></b>

During the period, the Finance Act 2015 was enacted which confirmed that the main rate of Corporation tax would remain at 20% from 1 April 2016. Accordingly, UK Corporation tax has been provided at 20%.



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2016**

**8. EXCEPTIONAL ITEMS - RESTRUCTURING**

Nature of Exceptional Item	31 March 2016 £	31 March 2015 £
Redundancy costs	(975,705)	-
	<u>(975,705)</u>	<u>-</u>

*During the year, the Company conducted a review of its organisational structure to ascertain whether any efficiencies can 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 £
<b>Cost</b>			
As at 1 April 2015	3,530,956	1,834,978	5,365,934
Additions	241,916	-	241,916
<b>As at 31 March 2016</b>	<u>3,772,872</u>	<u>1,834,978</u>	<u>5,607,850</u>
<b>Amortisation</b>			
As at 1 April 2015	2,240,613	786,420	3,027,033
Charge for the year	635,388	262,140	897,528
<b>As at 31 March 2016</b>	<u>2,876,001</u>	<u>1,048,560</u>	<u>3,924,561</u>
<b>Net Book Value</b>			
As at 31 March 2016	<u>896,871</u>	<u>786,418</u>	<u>1,683,289</u>
As at 31 March 2015	<u>1,290,343</u>	<u>1,048,558</u>	<u>2,338,901</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 2016**

**10. TANGIBLE FIXED ASSETS**

	Computer Equipment £	Office & Engineering Equipment £	NAIC Assets under Construction £	Motor Vehicles £	Total Tangible Assets £
<b>Cost</b>					
As at 1 April 2015	1,901,444	1,291,151	-	298,495	3,491,090
Additions	168,227	154,943	528,140	1,533	852,843
Disposals	-	-	-	(60,180)	(60,180)
<b>As at 31 March 2016</b>	<b>2,069,671</b>	<b>1,446,094</b>	<b>528,140</b>	<b>239,848</b>	<b>4,283,753</b>
<b>Depreciation</b>					
As at 1 April 2015	1,287,581	913,053	-	189,343	2,389,977
Charge for the year	313,111	201,899	-	53,484	568,494
Disposals	-	-	-	(47,526)	(47,526)
<b>As at 31 March 2016</b>	<b>1,600,692</b>	<b>1,114,952</b>	<b>-</b>	<b>195,301</b>	<b>2,910,945</b>
<b>Net Book Value</b>					
As at 31 March 2016	<b>468,979</b>	<b>331,142</b>	<b>528,140</b>	<b>44,547</b>	<b>1,372,808</b>
As at 31 March 2015	613,863	378,098	-	109,152	1,101,113

Assets were purchased during the year for the Company's new facility, National Automotive Innovation Centre (NAIC), which is due to be occupied during 2017. Depreciation on such assets will begin once the assets are available for use.

As at 31 March 2016, there were no fixed assets held under finance leases.

**11. STOCKS**

	As at 31 March 2016 £	As at 31 March 2015 £
Long term contract balances	-	479,857
	-	<b>479,857</b>

During the year, the Company initiated new processes regarding its contracts, whereby all contracts would cease on 31 March 2016, and new contracts would begin as of 1 April 2016, resulting in no contracts spanning the end of the year.



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2016**

**12. DEBTORS**

	As at 31 March 2016 £	As at 31 March 2015 £
<u>Amounts falling due within one year</u>		
Trade debtors	84,131	-
Amounts due from parent company	5,986,860	12,416,574
VAT	702,798	675,249
Accrued income and other debtors	86,443	92,609
Prepayments	668,499	750,484
Withholding tax recoverable and associated interest	6,748,972	5,707,723
Research and Development Expenditure Credit	3,750,693	2,802,150
	<u>18,028,396</u>	<u>22,444,789</u>
<u>Amounts falling due after one year</u>		
Prepayments	8,962,248	3,062,368
	<u>26,990,644</u>	<u>25,507,157</u>

The Company believes it is able to recover the withholding taxes recoverable. Of the total withholding tax recoverable, £3,334,221 (2015: £634,985) is under dispute with Indian tax authorities.

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

As at the end of the year ending 31 March 2016, the details of creditors falling due within one year are given below:

	As at 31 March 2016 £	As at 31 March 2015 £
Bank loan	2,000,000	1,875,000
Loan from parent company	4,250,000	-
Trade creditors	1,499,926	4,767,687
Loan Interest payable to parent company	60,339	45,480
Amounts due to group company	804,427	-
Other creditors	21,246	23,140
Other taxation and social security	37,768	23,073
Accruals	3,424,123	1,533,616
Unearned revenue	-	3,807,276
	<u>12,097,829</u>	<u>12,075,272</u>

The said bank loan from Australia and New Zealand Banking Group was provided during December 15. 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 2.74288% p.a.

The Company repaid the remaining bank loan from Standard Chartered Bank during December 15, of £1,875,000.

The £2,250,000 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 three month LIBOR + 300 basis points and is reset on an annual basis. A further £2,000,000 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.

As detailed in Note 10, given all long term contracts have ceased on 31 March 2016, there exists no unearned revenue as at 31 March 2016.



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2016**

**14. CREDITORS FALLING DUE AFTER ONE YEAR**

As at the end of the year ending 31 March 2016, the details of creditors falling due beyond one year are given below:

	As at 31 March 2016 £	As at 31 March 2015 £
Loan from parent company	-	2,250,000
Amounts due to group company	804,427	1,608,854
	<u>804,427</u>	<u>3,858,854</u>

**15. DEFERRED TAX**

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

	As at 31 March 2016 £	As at 31 March 2015 £
<b><i>Analysis of unrecognised deferred tax balance</i></b>		
Capital allowances in excess of depreciation	(1,168,855)	(1,156,136)
Other short term timing differences	(34,135)	(69,013)
Tax losses carried forward	(2,435,947)	(1,663,512)
RDEC	(1,019,687)	(592,567)
	<u>(4,658,624)</u>	<u>(3,481,228)</u>

At 31 March 2016 the Company had unused trading losses of £13,642,127 (2015: £13,533,040). 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.

**16. CALLED UP SHARE CAPITAL**

	As at 31 March 2016 £	As at 31 March 2015 £
<b>Allotted, called up and fully-paid share of £1 each</b>		
Ordinary shares already issued	31,392,495	28,529,085
Issue of ordinary shares during the year	3,000,000	2,863,410
Fully paid, not called up ordinary share capital	4,541,335	-
	<u>38,933,830</u>	<u>31,392,495</u>

During the year 3,000,000 ordinary shares of £1 each were issued at par and fully subscribed to. A further 4,541,335 ordinary shares of £1 were issued on 31 March 2016 to the parent company, which are yet to be registered.



**Notes to the Financial Statements (continued)**  
**For the year ended 31 March 2016**

**17. RESERVES**

	Profit and Loss and Other Comprehensive Income £
At 1 April 2015	(15,687,805)
Loss for the financial year	(649,578)
<b>Balance at 31 March 2016</b>	<b><u>(16,337,383)</u></b>

**18. TOTAL COMMITMENTS**

	As at 31 March 2016 £ Other	As at 31 March 2015 £ Other
<u>Expiry Date:</u>		
- Within one year	-	-
- Between two and five years	1,077,469	1,449,316
- After five years	-	-
	<b><u>1,077,469</u></b>	<b><u>1,449,316</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 £9.0M has been paid till 31 March 2016 (£3.1M till 31 March 2015) 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 2016. 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 2016 totalled £976,263 (2015: £1,166,587).

**19. DEFINED CONTRIBUTION SCHEMES**

The total cost charged to income of £591,230 (2015: £612,004) represents contributions payable to these schemes by the group at rates specified in the rules of the plans.

**20. 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 2016**

**21. 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 2016</b>	<b>31 March 2015</b>
	<b>£</b>	<b>£</b>
Tata Sons Limited	93,579	104,306
CMC Limited	-	44,304
	<u>93,579</u>	<u>148,610</u>

**Trade Creditor Balances**

	<b>As at 31 March 2016</b>	<b>As at 31 March 2015</b>
	<b>£</b>	<b>£</b>
Tata Elxsi Limited	4,579	4,579
	<u>4,579</u>	<u>4,579</u>