

**Advanced Technologies (Cambridge) Limited**  
**Registered Number 98062**

**Directors' Report and Accounts**

**For the year ended 31 December 2005**



# Advanced Technologies (Cambridge) Limited

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# **Advanced Technologies (Cambridge) Limited**

## **Directors' report**

The Directors present their report together with the audited accounts for the year ended 31 December 2005.

### **Principal activities**

The Company's primary role is the creation of novel genetic materials by molecular biological means.

### **Review of the year to 31 December 2005**

The profit for the year attributable to Advanced Technologies (Cambridge) Limited shareholders after deduction of all charges and the provision of tax amounted to £2,018,000 (2004 restated: £83,000 loss).

### **Change in accounting policy**

The Company has adopted FRS 17 'Retirement benefits' in these financial statements. As a result, pension surpluses/deficits as of the balance sheet date are recognised in full as an asset/liability. The adoption of this standard represents a change in accounting policy and the comparative figures for 2004 have been restated accordingly.

The effect of the change in accounting policy to adopt FRS 17 has been to increase staff costs and other finance costs by £26,000 (2004: £47,000) and £30,000 (2004: £37,000) respectively, to decrease profit for the year by £56,000 (2004: £84,000) and to decrease total recognised gains by £406,000 (2004: £81,000 increase).

The effect of adopting FRS17 on shareholders' funds at 31 December 2005 is a reduction of £2,074,000 (2004: £1,612,000)

### **Dividends**

The Directors do not recommend the payment of a dividend for the year (2004: £nil). The retained profit for the financial year of £2,018,000 will be transferred to reserves (2004 restated: £83,000 loss offset against reserves).

### **Board of Directors**

The names of the persons who served as Directors of the Company during the period 1 January 2005 to the date of this report are as follows:

Ian Campbell Brown (Chairman)  
Michael John Kingsley (appointed 3 October 2005)  
Gary Nicholson  
Graham Albert Read  
Simon Charles William Roper (resigned 27 July 2005)  
Dudley Christo Saayman

# Advanced Technologies (Cambridge) Limited

## Directors' report

### Directors' interests

The interests of those persons who were Directors at 31 December 2005 in the share capital and share option and award schemes of British American Tobacco p.l.c. and its subsidiaries, according to the register maintained under Section 325 of the Companies Act 1985, are shown below with the exception of the interests of Messrs G A Read and D C Saayman which are disclosed in the Report and Accounts of British American Tobacco (Investments) Limited.

#### British American Tobacco p.l.c. Ordinary 25p shares

	1 January 2005*	31 December 2005
I C Brown	20,323	29,329
M J Kingsley	55	55
G Nicholson	-	154

\* Or date of appointment if later

In addition to the shares shown above, during the year the Directors held the following interests in the ordinary shares of British American Tobacco p.l.c. which are held in trust pursuant to the British American Tobacco Deferred Share Bonus Scheme:

#### British American Tobacco p.l.c. Ordinary 25p shares

	1 January 2005*	31 December 2005
I C Brown	12,380	11,754
M J Kingsley	1361	1,361
G Nicholson <sup>1</sup>	8,968	7,572

\* Or date of appointment if later

<sup>1</sup> Of the 8,968 Deferred Shares held by Mr G. Nicholson as at 1 January 2005, a total of 4,616 Deferred Shares were granted on a cash-settled share-based payment basis. These require the British American Tobacco Group to pay the intrinsic value of such share-based payments to the Director at the date of transfer.

Details of the Deferred Share Bonus Scheme are included in the Report and Accounts of British American Tobacco p.l.c.

#### British American Tobacco p.l.c. Share Option and Award Schemes

	1 January 2005*	Granted	Exercised	Lapsed	31 December 2005
I C Brown	54,996	10,125	24,715	-	40,406
M J Kingsley	-	-	-	-	-
G Nicholson <sup>2</sup>	18,683	9,171	9,067	-	18,787

\* Or date of appointment if later

<sup>2</sup> Of the 18,683 share options/awards held by Mr G. Nicholson as at 1 January 2005, a total of 9,616 were granted on a cash-settled share-payment basis. The award granted in 2005 over 9,171 shares was granted on a similar basis. Thus all of the share options/awards outstanding as at 31 December 2005 have been granted on a cash-settled basis.

# **Advanced Technologies (Cambridge) Limited**

## **Directors' report**

### **Directors' interests (continued)**

In addition to those interests disclosed above, on 31 December 2005, the British American Tobacco Group Employee Trust held a total of 22,751,064 ordinary shares in British American Tobacco p.l.c. (1 January 2005: 26,669,248 ordinary shares). All employees, including Directors of the Company, are deemed to have a beneficial interest in the shares that are held by the trust for the purpose of satisfying options granted under the British American Tobacco Share Option Scheme or awards of ordinary shares made under the British American Tobacco Long Term Incentive Plan and the British American Tobacco Deferred Share Bonus Scheme.

Further, during the year ended 31 December 2005, all employees, including Directors of the Company, were deemed to have had a beneficial interest in the shares that were held in trust by the B.A.T Industries Employee Share Ownership Plan ('BATESOP') for the purpose of satisfying options granted under the B.A.T Industries Employee Share 'E' Option Scheme (the 'E Option Scheme'). Following the last exercises of options under the E Option Scheme during the year, BATESOP was wound up as an employee share ownership trust on 16 December 2005. There was therefore no holding of ordinary shares in BATESOP as at 31 December 2005 (1 January 2005: 59,158).

Details of the trusts and the share option and award schemes are included in the Report and Accounts of British American Tobacco p.l.c.

### **Employees**

The Company utilises a range of initiatives to actively encourage employee involvement in the Group's business including individual discussions, team briefings, employee surveys, publications and regular meetings with employee representatives. The Company has Employment Policies which are committed to providing a work environment that is free from harassment, bullying and discrimination – these policies are available to all staff on the Company's intranet. There is no discrimination against people with disabilities who apply to join the Company and anyone within the Company with a disability is awarded the same opportunities for promotion, training and career development as other staff. We aim to establish and maintain a safe working environment for all staff, including those with disabilities.

### **Statement of Directors' responsibilities**

The following Statement sets out the responsibilities of the Directors in relation to the financial statements. The report of the independent auditors, shown on page 7, sets out their responsibilities in relation to the financial statements.

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss for the financial year. In preparing those financial statements, the Directors are required to:

- select appropriate accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures being disclosed and explained; and
- prepare the financial statements on the going concern basis, unless they consider that to be inappropriate.

# Advanced Technologies (Cambridge) Limited

## Directors' report

### Statement of Directors' responsibilities (continued)

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Company and in that context to have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud and other irregularities.

The Directors are required to prepare the financial statements and to provide the auditors with every opportunity to take whatever steps and undertake whatever inspections the auditors consider to be appropriate for the purpose of enabling them to give their audit report.

The Directors consider that they have pursued the actions necessary to meet their responsibilities as set out in this statement.

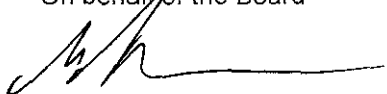
### General meetings

Elective resolutions have been passed, in accordance with Section 379A of the Companies Act 1985 (as amended), to dispense with the laying of accounts before the Company in General Meeting (pursuant to Section 252 of the Act) and to dispense with the holding of the Annual General Meeting (pursuant to Section 366A of the Act).

### Auditors

An elective resolution has been passed, in accordance with Section 379A of the Companies Act 1985 (as amended), to dispense with the appointment of auditors annually (pursuant to Section 386 of the Act). Accordingly, PricewaterhouseCoopers LLP will continue as auditors.

On behalf of the Board



M.G.C. Anderson  
Secretary

11th July 2006

# Report of the independent auditors to the members of Advanced Technologies (Cambridge) Limited

We have audited the financial statements of Advanced Technologies (Cambridge) Limited for the year ended 31 December 2005 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

## Respective responsibilities of Directors and auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

*In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended; and have been properly prepared in accordance with the Companies Act 1985.*

  
**PricewaterhouseCoopers LLP**

11 July 2006

Chartered Accountants and Registered Auditors  
1 Embankment Place  
London  
WC2N 6RH

# Advanced Technologies (Cambridge) Limited

## Profit and loss account for the year ended 31 December 2005

		2005	2004
	Note	£'000	Restated £'000
Turnover	2	5,043	2,200
Other operating income	2	224	162
Operating charges	3	(3,174)	(2,404)
<b>Operating profit/(loss)</b>		<b>2,093</b>	<b>(42)</b>
Interest payable to group undertakings		(45)	(4)
Other financing costs	11	(30)	(37)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>2,018</b>	<b>(83)</b>
Taxation on ordinary activities	5	-	-
<b>Profit/(loss) for the year</b>		<b>2,018</b>	<b>(83)</b>

All the activities during the year are in respect of continuing operations.

There is no difference between the profit on ordinary activities before taxation and the result for the financial year stated above and their historical cost equivalents.

The profit and loss account for the comparative year has been restated following the introduction of FRS 17 as described in note 1(7) to the financial statements.

## Statement of total recognised gains and losses for the year ended 31 December 2005

		2005	2004
		£'000	Restated £'000
<b>Profit/(loss) for the year</b>		<b>2,018</b>	<b>(83)</b>
Actuarial (loss)/gain on pension scheme	11	(406)	81
<b>Total recognised gains/(losses) relating to the year</b>		<b>1,612</b>	<b>(2)</b>
Change in accounting policy (note 1(7))		(1,612)	
<b>Total gains/(losses) recognised since last annual report</b>		<b>-</b>	

Notes are shown on pages 10 to 17.



# Advanced Technologies (Cambridge) Limited

## Balance sheet – 31 December 2005

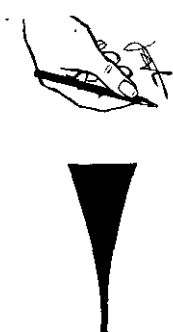
		2005	2004
	Note	£'000	Restated £'000
<b>Current assets</b>			
Debtors - amounts falling due within one year	6	5,155	3,725
Cash at bank and in hand		-	27
		<b>5,155</b>	<b>3,752</b>
<b>Creditors - amounts falling due within one year</b>	7	<b>(3,030)</b>	<b>(3,685)</b>
<b>Net current assets</b>		<b>2,125</b>	<b>67</b>
<b>Net assets excluding pension deficit</b>		<b>2,125</b>	<b>67</b>
Pension deficit	11	(2,045)	(1,599)
<b>Net assets including pension deficit</b>		<b>80</b>	<b>(1,532)</b>
<b>Capital and reserves</b>			
Called up share capital	8	-	-
Profit and loss account	9	80	(1,532)
<b>Total equity shareholders' funds/(deficit)</b>	10	<b>80</b>	<b>(1,532)</b>

The balance sheet for the comparative year has been restated following the introduction of FRS 17 as described in note 1(7) to the financial statements

The financial statements on pages 8 to 17 were approved by the Directors on 11th July 2006 and signed on behalf of the Board.



D.C. Saayman  
Director



Notes are shown on pages 10 to 17.

# Advanced Technologies (Cambridge) Limited

## Notes to the accounts – 31 December 2005

### 1 Accounting policies

A summary of the principal accounting policies is set out below.

#### (1) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with UK Generally Accepted Accounting Principles.

#### (2) Cash flow statement

The Company is a wholly-owned subsidiary of British American Tobacco p.l.c. The cash flows of the Company are included in the consolidated cash flow statement of British American Tobacco p.l.c. which is publicly available. Consequently the Company is exempt under the terms of Financial Reporting Standard 1 (Revised) from publishing a cash flow statement.

#### (3) Foreign currencies

Transactions arising in currencies other than sterling are translated at the rate of exchange ruling on the date of the transaction. Assets and liabilities expressed in currencies other than sterling are translated at rates of exchange ruling at the end of the financial year. All exchange differences are taken to the profit and loss account in the year.

#### (4) Accounting for income

Income is included in the profit and loss account when all contractual or other applicable conditions for recognition have been met. Provisions are made for bad and doubtful debts, including where delays are anticipated in the receipt of monies from overseas.

#### (5) Retirement benefit costs

The Company has adopted FRS 17 'Retirement benefits' as described in note 1(7).

#### (6) Taxation

Taxation provided is that chargeable on the profits of the period, together with deferred taxation.

Deferred taxation is provided in full on timing differences between the recognition of gains and losses in the financial statements and their recognition in tax computations. However, as allowed by FRS19, the Group has chosen not to discount deferred tax assets and liabilities.

#### (7) Change in accounting policy

The Company has adopted FRS 17 'Retirement benefits' in these financial statements. As a result, pension surpluses/deficits as of the balance sheet date are recognised in full as an asset/liability. The adoption of this standard represents a change in accounting policy and the comparative figures for 2004 have been restated accordingly.

The effect of the change in accounting policy to adopt FRS 17 has been to increase staff costs and other finance costs by £26,000 (2004: £47,000) and £30,000 (2004: £37,000) respectively, to decrease profit for the year by £56,000 (2004: £84,000) and to decrease total recognised gains by £406,000 (2004: £81,000 increase).

The effect of adopting FRS17 on shareholders funds at 31 December 2005 is a reduction of £2,074,000 (2004: £1,612,000)

# Advanced Technologies (Cambridge) Limited

## Notes to the accounts – 31 December 2005

### 2 Turnover and other operating income

Turnover comprises sales, net of VAT, to external customers and other group companies. Operating income comprises rental on buildings.

### 3 Operating charges

	2005 £'000	2004 Restated £'000
Staff costs	1,121	1,016
Operating leases charges- land and buildings	501	484
Other operating charges	1,552	904
	<b>3,174</b>	<b>2,404</b>

Staff costs:		
Wages and salaries	813	753
Social security costs	71	62
Other pension costs (see note 11)	189	181
Share scheme	48	20
	<b>1,121</b>	<b>1,016</b>

The average weekly number of persons employed by the Company during the year was:

	2005 Number	2004 Number
Administration	5	6
Scientific research	27	25
	<b>32</b>	<b>31</b>

Auditors' fees were borne by a fellow group undertaking (2004: £834).

### 4 Directors' emoluments

None of the Directors received any remuneration in respect of their services to the Company during the year (2004: £nil).

# Advanced Technologies (Cambridge) Limited

## Notes to the accounts – 31 December 2005

### 5 Taxation on ordinary activities

#### (a) Summary of tax on ordinary activities

	2005 £'000	2004 £'000
UK Corporation Taxation comprising		
- current tax at 30.00% (2004: 30.00%)	-	-
Overseas tax	-	-
Total current taxation <i>note 5(b)</i>	-	-
Deferred taxation	-	-
Tax charge	-	-

#### (b) Factors affecting the tax charge

The current taxation charge differs from the standard 30.00 per cent rate of Corporation Tax in the UK. The major causes of this difference are listed below:

	2005 £'000	2004 Restated £'000
Profit/(loss) on ordinary activities before taxation	2,018	(83)
Corporation Tax at 30.00% (2004: 30.00%) on (loss)/profit on ordinary activities	605	(25)
<b>Factors affecting the tax rate:</b>		
Permanent differences	(52)	(27)
Group loss relief (claimed) / surrendered at nil consideration	(553)	52
Total current taxation charge <i>note 5(a)</i>	-	-

An amount of £177,000 (2004: £nil) (tax amount of £53,000 (2004: £nil) included in permanent differences above represents tax adjustments following the introduction of UK to UK transfer pricing from 1st April 2004.

### 6 Debtors: amounts falling due within one year

	2005 £'000	2004 £'000
Amounts owed by group undertakings	4,890	3,534
Other debtors	152	58
Prepayments and accrued income	113	133
	5,155	3,725

# Advanced Technologies (Cambridge) Limited

## Notes to the accounts – 31 December 2005

### 7 Creditors: amounts falling due within one year

	2005	2004
	£'000	Restated £'000
Bank overdraft	-	92
Trade creditors	97	37
Amounts owed to group undertakings	2,419	3,511
Accrued charges and deferred income	514	45
	<b>3,030</b>	<b>3,685</b>

Included in amounts owed to group undertakings is an unsecured interest bearing balance, repayable on demand, of £1,856,000. The average interest rate for the year was 4.6%.

### 8 Called up share capital

Ordinary shares of £1 each	2005	2004
Authorised - value	£100	£100
- number	100	100

Allotted, called up and fully paid

- value	£100	£100
- number	100	100

### 9 Reserves

	Profit and loss account £'000
1 January 2005 – as previously reported	80
Change in accounting policy (note 1 (7))	(1,612)
1 January 2005 - as restated	(1,532)
Profit for the financial year	2,018
Actuarial loss on pension scheme	(406)
31 December 2005	<b>80</b>

# Advanced Technologies (Cambridge) Limited

## Notes to the accounts – 31 December 2005

### 10 Reconciliation of movements in shareholders' funds

	2005 £'000	2004 Restated £'000
Profit/(loss) attributable to shareholders for the year	2,018	(2)
Actuarial loss on pension scheme ( <i>note 11</i> )	(406)	
Net transfer to/(from) shareholders' funds	1,612	(2)
Opening shareholders' funds – as previously reported	80	79
Change in accounting policy ( <i>note 1(7)</i> )	(1,612)	(1,609)
Opening shareholders' funds – as restated	(1,532)	(1,530)
Closing shareholders' funds	80	(1,532)

### 11 Pensions

The Company operates a funded defined benefit pension scheme, 'The Advanced Technologies (Cambridge) Limited Pension Scheme', the assets of which are held separately from those of the Company. During the year, the Company has fully adopted FRS 17 as described in note 1(7). Contributions are determined by reference to advice from Barnett Waddingham, an independent qualified actuary, on the basis of annual valuations. As at 31 December 2005, the market value of the pension scheme's assets was £3,191,000 and the actuarial deficit of the pension scheme was £2,045,000 which represents a funding ratio of 61% (2004: 61% ; 2003: 57%).

The major assumptions used by the actuary were:

	2005 %	2004 %	2003 %
Rate of increase in pensionable salaries	5.0	4.8	4.8
Rate of increase in pensions in payment	3.0	2.8	2.8
Discount rate	4.7	5.3	5.4
General inflation	3.0	2.8	2.8

The assets and liabilities of the scheme were:

	2005 £'000	2004 £'000	2003 £'000
Equities	2,805	2,121	1,803
Bonds	251	237	246
Property	41	34	27
Other assets	94	82	42
Total fair value of scheme assets	3,191	2,474	2,118
Present value of scheme liabilities	(5,236)	(4,073)	(3,727)
Net deficit in scheme	(2,045)	(1,599)	(1,609)
Related deferred tax asset	-	-	-
Net pension liability	(2,045)	(1,599)	(1,609)

# Advanced Technologies (Cambridge) Limited

## Notes to the accounts – 31 December 2005

### 11 Pensions (continued)

The long term rate of returns expected were as follows:

	2005 %	2004 %	2003 %
Equities	7.1	7.5	7.8
Bonds	4.3	4.9	5.1
Property	7.1	7.5	7.8
Other assets	4.5	4.8	3.8

The movement in the net recognisable deficit was as follows:

	2005 £'000	2004 £'000
Net recognisable deficit 1 January	(1,599)	(1,609)
Current service cost	(189)	(181)
Expected return on scheme assets	184	164
Interest on scheme liabilities	(214)	(201)
Company contributions	179	147
Actuarial (losses)/gains	(406)	81
Net recognisable deficit 31 December	(2,045)	(1,599)

#### Analysis of the amount charged to the profit and loss account in respect of defined benefit schemes

	2005 £'000	2004 £'000
Operating profit		
– current service cost	189	181
– Total operating charge	189	181
Other finance income/(expense)		
– expected return on scheme assets	184	164
– interest on scheme liabilities	(214)	(201)
– Net finance return	(30)	(37)

#### Analysis of amount recognised in statement of total recognised gains and losses

	2005 £'000	2004 £'000
Difference between actual and expected return on scheme assets	344	12
Experience gains on scheme liabilities	48	169
Changes in assumptions underlying present value of scheme liabilities	(798)	(100)
Actuarial (loss)/gain recognized in the statement of total recognized gains and losses	(406)	81

# Advanced Technologies (Cambridge) Limited

## Notes to the accounts – 31 December 2005

### 11 Pensions (continued)

Details of experience gains and losses for the year to 31 December:

	2005		2004		2003		2002	
	£'000	%	£'000	%	£'000	%	£'000	%
Difference between expected and actual return on scheme assets	344		12		264		(439)	
– percentage of scheme assets		11		1		12		27
Experience losses on scheme liabilities	48		169		-		(29)	
– percentage of present value of scheme liabilities		1		4		-		1
Net actuarial gain/(loss)	(406)		81		(318)		(528)	
– percentage of present value of scheme liabilities		8		2		9		19

The actuarial valuation at 31 December 2005 showed an increase in the deficit from £1,599,000 to £2,045,000.

### 13 Related parties

As a wholly-owned subsidiary, the Company has taken advantage of the exemption under paragraph 3(c) of Financial Reporting Standard 8 from disclosing transactions with other subsidiary undertakings of the British American Tobacco p.l.c. Group.

### 14 Financial commitment

At 31 December 2005, the company had annual commitments under non-cancellable leases expiring as follows:

	2005 Land and buildings £'000	2004 Land and buildings £'000
Over 5 years	421	459

### 15 Parent undertakings

The Company's ultimate parent undertaking is British American Tobacco p.l.c. being incorporated in the United Kingdom and registered in England and Wales. Its immediate parent undertaking is British American Tobacco (Investments) Limited. Group accounts are prepared only at the British American Tobacco p.l.c. level.



# **Advanced Technologies (Cambridge) Limited**

## **Notes to the accounts – 31 December 2005**

### **16 Copies of the Report and Accounts**

Copies of the Report and Accounts of British American Tobacco p.l.c. may be obtained from:

The Company Secretary  
Globe House  
4 Temple Place  
London  
WC2R 2PG