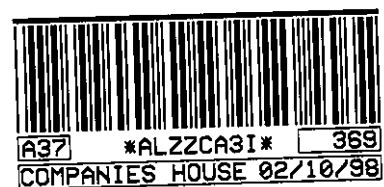


ADVANCED TECHNOLOGIES (CAMBRIDGE) LIMITED

**REPORT AND ACCOUNTS**  
FOR THE YEAR ENDED 31 DECEMBER 1997

Registered no. 98062



## **Advanced Technologies (Cambridge) Limited**

### **Report of the directors for the year ended 31 December 1997**

The directors present their report and the audited financial statements for the year ended 31 December 1997.

### **Principal activities**

The Company's primary role is the creation of novel genetic materials by molecular biological means. This business is carried out on behalf of British American Tobacco (Investments) Limited, which owns the fixed assets used by the Company.

### **Review of business and future developments**

Both the level of business and the year end financial position were satisfactory, and the directors expect that the present level of activity will be sustained for the foreseeable future.

### **Dividends**

The directors do not recommend the payment of a dividend. The profit for the financial year of £3,000 (1996: £3,000) will be transferred to reserves.

### **Auditors**

Price Waterhouse merged with Coopers and Lybrand on 1 July 1998 to form PricewaterhouseCoopers. A resolution will be proposed at the Annual General meeting to appoint PricewaterhouseCoopers as auditors to the Company.

### **Directors**

E E Kohnhorst (Chairman)

P L Clarke

G A Read

D E Salt

(Resigned 13/10/97)

I R Snowden

J V Richardson

(Appointed 13/10/97, Resigned 7/8/98)

A G Munro

(Appointed 7/8/97)

## Advanced Technologies (Cambridge) Limited

### Report of the directors for the year ended 31 December 1997

#### Directors' interests

The interests of those persons, who were directors as at 31 December 1997, in the share capital and the share option schemes of B.A.T Industries p.l.c. and its subsidiaries are shown in the table below, except for the holdings of Mr E E Kohnhorst whose interests are shown in the Directors' report of British-American Tobacco (Holdings) Limited, of which this company is a wholly owned subsidiary. Interests disclosed are those which existed on 1 January 1997, (or date of appointment where appropriate) and 31 December 1997, together with interests acquired or exercised in the said share option schemes during that period.

In addition, on 31 December 1997 all UK employees including the directors of the Company, had a beneficial interest in 7,246,691 shares in B.A.T Industries p.l.c. (1 January 1997: 4,445,808) held by B.A.T Industries Employee Share Ownership Trust ('ESOT'). The ESOT was established for the purpose of satisfying the exercise of options granted from 1994 onwards under the B.A.T Industries 'E' option scheme.

#### B.A.T Industries p.l.c.

|                | <u>Ordinary 25p Shares</u> |                | <u>Share Options</u> |                 |                  |                |
|----------------|----------------------------|----------------|----------------------|-----------------|------------------|----------------|
|                | <u>Opening</u>             | <u>Closing</u> | <u>Opening</u>       | <u>Acquired</u> | <u>Exercised</u> | <u>Closing</u> |
| P L Clarke     | 8,100                      | 8,579          | 29,513               | 11,180          | Nil              | 40,693         |
| G A Read       | 15,234                     | 15,696         | 20,691               | 10,659          | Nil              | 31,350         |
| J V Richardson | 1,673                      | 1,673          | 4,601                | Nil             | Nil              | 4,601          |
| I R Snowden    | 5,758                      | 6,220          | 22,000               | 8,560           | Nil              | 30,560         |

Details of the share option schemes are included in the Report and Accounts of B.A.T Industries p.l.c..

## Advanced Technologies (Cambridge) Limited

### Report of the directors for the year ended 31 December 1997

#### Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which 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 of the Company for that period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time 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 safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By order of the board

E E Kohnhorst  
Director:



Dated: 03 SEP 1998

**Advanced Technologies (Cambridge) Limited****Auditors' Report to the Shareholders of Advanced Technologies (Cambridge) Limited**

We have audited the financial statements on pages 6 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

**Respective responsibilities of directors and auditors**

As described on page 4 the Company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the affairs of the Company as at 31 December 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Price Waterhouse  
Chartered Accountants  
And Registered Auditors  
Southwark Towers  
32 London Bridge Street  
London SE1 9SY

3 September 1998

# Advanced Technologies (Cambridge) Limited

## Profit and loss account for the year ended 31 December 1997

|  | <u>Notes</u> | <u>1997</u><br><u>£000</u> | <u>1996</u><br><u>£000</u> |
|--|--------------|----------------------------|----------------------------|
| Turnover – continuing operations                     | 2            | 1,975                      | 1,910                      |
| Operating charges                                    | 3            | (1,972)                    | (1,906)                    |
| <b>Operating profit – continuing operations</b>      |              | <u>3</u>                   | <u>4</u>                   |
| <b>Profit on ordinary activities before taxation</b> |              | <u>3</u>                   | <u>4</u>                   |
| Tax on profit on ordinary activities                 | 4            | -                          | 1                          |
| <b>Retained profit for the year</b>                  |              | <u><u>3</u></u>            | <u><u>3</u></u>            |

## Statement of retained profits

|  |                  |                  |
|--|------------------|------------------|
| Retained profits at 1 January          | 52               | 49               |
| Retained profit for the year           | 3                | 3                |
| <b>Retained profits at 31 December</b> | <u><u>55</u></u> | <u><u>52</u></u> |

There are no recognised gains and losses other than the profit for the financial year.

The notes on pages 8 to 12 form part of these financial statements.

# Advanced Technologies (Cambridge) Limited

## Balance Sheet – 31 December 1997

|   | <u>Notes</u> | <u>1997</u><br><u>£000</u> | <u>1997</u><br><u>£000</u> | <u>1996</u><br><u>£000</u> | <u>1996</u><br><u>£000</u> |
|---|--------------|----------------------------|----------------------------|----------------------------|----------------------------|
| <b>Current assets</b>                                 |              |                            |                            |                            |                            |
| Debtors   | 5            | 220                        |                            | 341                        |                            |
| Cash at bank and in hand                              |              | (11)                       |                            | 8                          |                            |
|   |              | -----                      |                            | -----                      |                            |
|   |              | 209                        |                            | 349                        |                            |
| <b>Creditors: amounts falling due within one year</b> | 6            | (154)                      |                            | (297)                      |                            |
|   |              | -----                      |                            | -----                      |                            |
| <b>Net current assets</b>                             |              |                            | 55                         |                            | 52                         |
|   |              |                            | -----                      |                            | -----                      |
| Total assets less current liabilities                 |              |                            | 55                         |                            | 52                         |
|   |              |                            | =====                      |                            | =====                      |
| <b>Capital and reserves</b>                           |              |                            |                            |                            |                            |
| Called up share capital                               | 7            |                            | -                          |                            | -                          |
| Profit and loss account                               |              |                            | 55                         |                            | 52                         |
|   |              |                            | -----                      |                            | -----                      |
| <b>Total shareholders' funds</b>                      | 8            |                            | 55                         |                            | 52                         |
|   |              |                            | =====                      |                            | =====                      |
| Equity interests                                      |              |                            | 55                         |                            | 52                         |
|   |              |                            | -----                      |                            | -----                      |
| <b>Total shareholders' funds</b>                      | 8            |                            | 55                         |                            | 52                         |
|   |              |                            | =====                      |                            | =====                      |

The financial statements on pages 6 to 12 were approved by the directors on **03 SEP 1998** and are signed on their behalf by:

E E Kohnhorst:  
Director



The notes on pages 8 to 12 form part of these financial statements.

## **Advanced Technologies (Cambridge) Limited**

### **Notes to the financial statements for the year ended 31 December 1997**

#### **1 Accounting policies**

A summary of the principal accounting policies, all of which have been applied consistently throughout the current year and preceding year, is set out below. A cash flow statement is not submitted, as the Company, being a wholly owned subsidiary undertaking of a parent undertaking established under UK law, includes cash flow information in the financial statements of the parent undertaking.

##### **1.1 Basis of accounting**

The financial statements are prepared in accordance with Accounting Standards applicable in the United Kingdom and under the historical cost convention.

##### **1.2 Accounting for income**

Income is accounted for on a receivable basis. Provision is made where delays are anticipated in the receipt of monies from overseas companies.

##### **1.3 Pension costs**

Pension costs are charged against profits on a systematic basis with surpluses and deficits arising allocated over the expected remaining service lives of current employees.

##### **1.4 Taxation**

Taxation provided is that chargeable on the profits of the period together with any deferred taxation, to the extent that it is probable that a liability will crystallise.

#### **2 Turnover**

Turnover is earned in the UK from research services provided to British American Tobacco (Investments) Limited.



# Advanced Technologies (Cambridge) Limited

## Notes to the financial statements for the year ended 31 December 1997

| <b>3 Operating charges</b>              | <u><b>1997</b></u>  | <u><b>1996</b></u>  |
|---|---------------------|---------------------|
|   | <u><b>£000</b></u>  | <u><b>£000</b></u>  |
| Staff costs                             | 781                 | 772                 |
| Other operating costs                   | 1,191               | 1,134               |
|   | -----               | -----               |
|   | <u><b>1,972</b></u> | <u><b>1,906</b></u> |
| <b>Staff costs comprise:</b>            |                     |                     |
| Wages and salaries                      | 646                 | 633                 |
| Social security costs                   | 48                  | 51                  |
| Other pension costs                     | 69                  | 63                  |
| Share participation scheme costs        | 18                  | 25                  |
|   | -----               | -----               |
|   | <u><b>781</b></u>   | <u><b>772</b></u>   |
| <b>Other operating charges include:</b> |                     |                     |
| Asset rental                            | 113                 | 118                 |
|   | <u><b>113</b></u>   | <u><b>118</b></u>   |

None of the directors received any remuneration, in respect of their services to the Company, during the financial year (1996 – Nil).

Operating costs include audit fees of £6,100.(1996 - £6,100).

The average monthly number of persons employed by the Company during the year was 36(1996 – 36) of which 29(1996 -30) were engaged in scientific research activities and the remainder were involved in the Company's administration.

|   | <u><b>1997</b></u> | <u><b>1996</b></u> |
|---|--------------------|--------------------|
|   | <u><b>£000</b></u> | <u><b>£000</b></u> |
| <b>4 Taxation</b>                                       |                    |                    |
| United Kingdom corporation tax at 31.5% (1996 – 33.00%) | -                  | 2                  |
| less: over provision in prior year                      | -                  | (1)                |
|   | -----              | -----              |
|   | <u><b>-</b></u>    | <u><b>1</b></u>    |

The charge for taxation has been reduced by £2,317 in respect of group loss relief surrendered by a fellow subsidiary for no consideration. In 1996 the charge for taxation was reduced by £2,223 in respect of Advance Corporation Tax surrendered by the ultimate parent undertaking for no consideration.

# Advanced Technologies (Cambridge) Limited

## Notes to the financial statements for the year ended 31 December 1997

### 5 Debtors

|  | <u>1997</u><br><u>£000</u> | <u>1996</u><br><u>£000</u> |
|--|----------------------------|----------------------------|
| <b>Amounting falling due within one year</b> |                            |                            |
| Trade debtors                                | 65                         | 218                        |
| Other debtors                                | 36                         | 57                         |
| Prepayments and accrued income               | 119                        | 66                         |
|  | <u>220</u>                 | <u>341</u>                 |

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

|  | <u>1997</u><br><u>£000</u> | <u>1996</u><br><u>£000</u> |
|--|----------------------------|----------------------------|
| Trade creditors  | 29                         | 90                         |
| Amounts owed to parent undertaking                     | 31                         | 140                        |
| Other creditors including taxation and social security | -                          | 1                          |
| Accruals and deferred income                           | 94                         | 66                         |
|  | <u>154</u>                 | <u>297</u>                 |

### 7 Share capital

#### Ordinary Shares of £1 each

|  | <u>1997</u> | <u>1996</u> |
|--|-------------|-------------|
| Authorised – value                       | <u>£100</u> | <u>£100</u> |
| number                                   | <u>100</u>  | <u>100</u>  |
| Allotted, called up and fully paid value | <u>£100</u> | <u>£100</u> |
| number                                   | <u>100</u>  | <u>100</u>  |

## Advanced Technologies (Cambridge) Limited

### Notes to the financial statements for the year ended 31 December 1997

| <b>8 Reconciliation of movements in shareholders' funds</b> | <b><u>1997</u></b> | <b><u>1996</u></b> |
|---|--------------------|--------------------|
|   | <b><u>£000</u></b> | <b><u>£000</u></b> |
| Opening shareholders' funds                                 | 52                 | 49                 |
| Profit attributable to shareholders for the year            | 3                  | 3                  |
|   | -----              | -----              |
| Closing shareholders' funds                                 | <u>55</u>          | <u>52</u>          |

### 9 Related party transactions

The Company has taken advantage of the exemption under paragraph 3(c) of the Financial Reporting Standard 8 from disclosing transactions with other subsidiary undertakings of the B.A.T Industries group.

### 10 Parent undertaking

The Company's ultimate parent undertaking is B.A.T Industries 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 by B.A.T Industries p.l.c., this is the smallest and largest group for which group accounts are prepared.

### 10 Pensions

The Company operates a funded defined benefit pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the attained age method. The most recent valuation was as at 31 December 1996. The 1996 market value of the assets was 111% of the accrued benefits. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries and pension. It was assumed that the investment returns would be 9% per annum, that salary increases would average 7% per annum and that present and future pensions would increase at 4% per annum.

As at 31 December 1996:

|   |          |
|---|----------|
| Market value of pension scheme's assets | £887,000 |
| Actuarial surplus of pension scheme     | £91,000  |

The pension charge for the period was £68,560 (1996 £63,356).

**Advanced Technologies (Cambridge) Limited****Notes to the financial statements  
for the year ended 31 December 1997****11 Copies of the report and accounts**

Copies of the report and accounts of B.A.T Industries p.l.c. may be obtained from:

The Company Secretary  
Windsor House  
50, Victoria Street  
London  
SW1H 0NL