

Advanced Technologies (Cambridge) Limited
Registered Number 98062

Directors' Report and Accounts

For the year ended 31 December 2007

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Advanced Technologies (Cambridge) Limited

Contents

Directors' report	3
Report of the independent auditors to the members of Advanced Technologies (Cambridge) Limited	6
Profit and loss account for the year ended 31 December 2007	7
Statement of total recognised gains and losses for the year ended 31 December 2007	7
Balance sheet – 31 December 2007	8
Notes to the accounts – 31 December 2007	9

Advanced Technologies (Cambridge) Limited

Directors' report

The Directors present their report together with the audited financial statements of the Company for the year ended 31 December 2007

Principal activities

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

Business review of the year to 31 December 2007

The loss for the year attributable to Advanced Technologies (Cambridge) Limited shareholders after deduction of all charges and the provision of tax amounted to £343,000 (2006 £560,000). There was also a gain of £343,000 (2006 £560,000) arising in the year, consequently there is no change in shareholders' funds. This results from the Company being able to recharge to a fellow Group undertaking of the British American Tobacco plc Group, any costs incurred in carrying out research activity, after taking into account any recognised gains or losses.

Key performance indicators

The Directors of British American Tobacco plc, the ultimate parent company, manage the operations of the British American Tobacco Group (the "Group") on a regional basis. For this reason, and given the nature of the Company's activities, the Company's Directors believe that key performance indicators are not necessary or appropriate for an understanding of the Company's specific development, performance or the position of its business. However, key performance indicators relevant to the Group, and which may be relevant to the Company, are disclosed under the Operating and Financial Review section in the Annual Report of British American Tobacco plc and do not form part of this report.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are integrated with the principal risks of the Group and are monitored by audit committees to provide a framework for identifying, evaluating and managing risks faced by the Group. Accordingly, the key Group risk factors that may be relevant to the Company are disclosed in the Annual Report of British American Tobacco plc, and do not form part of this report.

Dividends

The Directors do not recommend the payment of a dividend for the year (2006 £nil).

Board of Directors

The names of the persons who served as directors of the Company during the period 1 January 2007 to the date of this report are as follows:

Ian Campbell Brown	
Joanne Louise Brown	(Appointed 8 May 2008)
Michael John Kingsley	(Resigned 25 April 2008)
Gary Nicholson	
Graham Albert Read	
Dudley Christo Saayman	(Resigned 13 March 2007)
John David Selby	(Appointed 13 March 2007)

Advanced Technologies (Cambridge) Limited

Directors' report

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 6, 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.

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.

Advanced Technologies (Cambridge) Limited

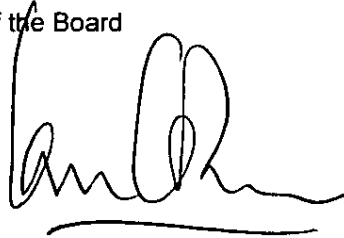
Directors' report

Directors' declaration in relation to relevant audit information

Having made enquiries of fellow directors and of the Company's auditors, each of the Directors confirms that

- (1) to the best of his or her knowledge and belief, there is no relevant audit information of which the Company's auditors are unaware, and
- (2) he or she has taken all steps that a director might reasonably be expected to have taken in order to make himself or herself aware of relevant audit information and to establish that the Company's auditors are aware of that information

On behalf of the Board

A handwritten signature in black ink, appearing to be 'I C Brown', written over a horizontal line.

I C Brown
Chairman

17 October 2008

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 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements. In addition we report to you if, in our opinion, 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 2007 and of its loss for the year then ended, the financial statements have been properly prepared in accordance with the Companies Act 1985, and the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

22 October 2008

1 Embankment Place
London
WC2N 6RH

Advanced Technologies (Cambridge) Limited

Profit and loss account for the year ended 31 December 2007

	<i>Note</i>	2007 £'000	2006 £'000
Operating income	2	4,351	3,350
Other operating income	2	174	174
Operating charges	3	(4,509)	(3,902)
Operating profit/(loss)		16	(378)
Interest payable to group undertakings		(382)	(168)
Other financing income/(costs)	10	23	(14)
Loss on ordinary activities before taxation		(343)	(560)
Taxation on ordinary activities	4	-	-
Loss for the financial year	8	(343)	(560)

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

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

Statement of total recognised gains and losses for the year ended 31 December 2007

		2007 £'000	2006 £'000
Loss for the financial year		(343)	(560)
Actuarial gain on pension scheme	10	343	560
Total recognised gains relating to the year		-	-

Notes are shown on pages 9 to 16

Advanced Technologies (Cambridge) Limited

Balance sheet – 31 December 2007

	<i>Note</i>	2007 £'000	2006 £'000
Current assets			
Debtors - amounts falling due within one year	5	6,518	7,869
Creditors - amounts falling due within one year	6	(5,429)	(6,352)
Net assets excluding pension deficit		1,089	1,517
Pension deficit	10	(1,009)	(1,437)
Net assets including pension deficit		80	80
Capital and reserves			
Called up share capital	7	-	-
Profit and loss account	8	80	80
Total shareholders' funds	9	80	80

The financial statements on pages 7 to 16 were approved by the Directors on 17 October 2008 and signed on behalf of the Board



G Nicholson
Director

Notes are shown on pages 9 to 16

Advanced Technologies (Cambridge) Limited

Notes to the accounts – 31 December 2007

1 Accounting policies

A summary of the principal accounting policies is set out below

(1) Basis of accounting

The financial statements are prepared on the going concern basis, under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom

(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 FRS 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) 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 Company has chosen not to discount deferred tax assets and liabilities

(6) Retirement benefits

For defined benefit schemes, pension net surpluses or deficits as of the balance sheet date are recognised in full as an asset or liability respectively. The net deficit or surplus is based on the present value of the defined benefit obligation at the balance sheet date less the fair value of the plan assets. Actuarial gains and losses are recognised as they are incurred in the Statement of Total Recognised Gains and Losses

The actuarial cost charged to operating profit consists of current service cost, past service costs and gains or losses on settlements and curtailments. The interest cost and expected return on plan assets are recognised in other financing costs

Advanced Technologies (Cambridge) Limited

Notes to the accounts – 31 December 2007

2 Operating income

- (1) Operating income comprises sales, net of VAT, to external customers and other Group companies
(2) Other operating income comprises rental on buildings

3 Operating charges

	2007 £'000	2006 £'000
Staff costs	1,605	1,467
Operating lease charges- land and buildings	420	420
Other operating charges	2,484	2,015
	4,509	3,902
Staff costs		
Wages and salaries	1,232	1,057
Social security costs	98	101
Other pension costs (see note 10)	275	272
Share scheme costs	-	37
	1,605	1,467

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

	2007 Number	2006 Number
Administration	1	1
Scientific research	39	38
	40	39

Auditors' fees of £11,557 were borne by a fellow Group undertaking (2006 £11,557)

None of the Directors received any remuneration in respect of their services to the Company during the year (2006 £nil)

Advanced Technologies (Cambridge) Limited

Notes to the accounts – 31 December 2007

4 Taxation on ordinary activities

(a) Summary of tax on ordinary activities

	2007 £'000	2006 £'000
UK Corporation Taxation comprising		
- current tax at 30% (2006 30%)	-	-
Total taxation charge <i>note 4(b)</i>	-	-

(b) Factors affecting the tax charge

The current taxation charge differs from the standard 30 per cent rate of Corporation Tax in the UK. The major causes of this difference are listed below

	2007 £'000	2006 £'000
Loss on ordinary activities before taxation	(343)	(560)
Corporation Tax at 30% (2006 30%) on loss on ordinary activities	(103)	(168)
Factors affecting the tax rate.		
Permanent differences	29	(33)
Short term timing differences	(25)	-
Group loss relief surrendered at nil consideration	99	201
Total current taxation charge <i>note 4(a)</i>	-	-

An amount of £89,000 (2006 £65,000) (tax amount of £27,000 (2006 £20,000)) included in permanent differences above represents tax adjustments following in respect of UK to UK transfer pricing

5 Debtors: amounts falling due within one year

	2007 £'000	2006 £'000
Amounts owed by Group undertakings	6,346	7,639
Other debtors	67	170
Prepayments and accrued income	105	60
	6,518	7,869

Amounts owed by Group undertakings are unsecured, interest free and repayable on demand

Advanced Technologies (Cambridge) Limited

Notes to the accounts – 31 December 2007

6 Creditors: amounts falling due within one year

	2007 £'000	2006 £'000
Trade creditors	198	138
Amounts owed to Group undertakings	4,824	6,124
Accrued charges and deferred income	407	90
	5,429	6,352

Included in amounts owed to Group undertakings is an unsecured interest bearing balance, repayable on demand, of £4,483,000 (2006 £5,327,000) The interest rate is based on LIBOR Other amounts owed to Group undertakings are unsecured, interest free and repayable on demand

7 Share capital

Ordinary shares of £1 each	2007	2006
Authorised - value	£100	£100
- number	100	100
Allotted, called up and fully paid		
- value	£100	£100
- number	100	100

8 Reserves

	Profit and loss account £'000
1 January 2007	80
Loss for the financial year	(343)
Actuarial gain on pension scheme	343
31 December 2007	80

Advanced Technologies (Cambridge) Limited

Notes to the accounts – 31 December 2007

9 Reconciliation of movements in shareholders' funds

	2007 £'000	2006 £'000
Loss for the year	(343)	(560)
Actuarial gain on pension scheme (<i>note 10</i>)	343	560
Net transfer to shareholders' funds	-	-
Opening shareholders' funds	80	80
Closing shareholders' funds	80	80

10 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. Contributions are determined by reference to advice from Barnett Waddingham, an independent qualified actuary, on the basis of annual valuations. As at 31 December 2007, the market value of the pension scheme's assets was £4,670,000 and the actuarial deficit of the pension scheme was £1,009,000 which represents a funding ratio of 82% (2006 73%, 2005 61%).

The major assumptions used by the actuary were

	2007 %	2006 %	2005 %
Rate of increase in pensionable salaries	5.4	5.1	5.0
Rate of increase in pensions in payment	3.4	3.1	3.0
Discount rate	5.8	5.1	4.7
General inflation	3.4	3.1	3.0

The assets and liabilities of the scheme were

	2007 £'000	2006 £'000	2005 £'000
Equities	4,060	3,378	2,805
Bonds	267	222	251
Property	53	44	41
Other assets	290	233	94
Total fair value of scheme assets	4,670	3,877	3,191
Present value of scheme liabilities	(5,679)	(5,314)	(5,236)
Net deficit in scheme	(1,009)	(1,437)	(2,045)
Related deferred tax asset	-	-	-
Net pension deficit	(1,009)	(1,437)	(2,045)

Advanced Technologies (Cambridge) Limited

Notes to the accounts – 31 December 2007

10 Pensions (continued)

The long term rate of returns expected were as follows

	2007 %	2006 %	2005 %
Equities	7.5	7.5	7.1
Bonds	5.2	4.8	4.3
Property	7.5	7.5	7.1
Other assets	6.6	5.1	4.5

The movement in the net deficit was as follows

	2007 £'000	2006 £'000
Net deficit 1 January	(1,437)	(2,045)
Current service cost	(275)	(272)
Expected return on scheme assets	292	228
Interest on scheme liabilities	(269)	(242)
Company contributions	337	334
Actuarial gains	343	560
Net deficit 31 December	(1,009)	(1,437)

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

	2007 £'000	2006 £'000
Operating profit		
– current service cost	275	272
– Total operating charge	275	272
Other finance income/(expense)		
– expected return on scheme assets	292	228
– interest on scheme liabilities	(269)	(242)
– Net finance return	23	(14)

Analysis of amounts recognised in statement of total recognised gains and losses

	2007 £'000	2006 £'000
Difference between actual and expected return on scheme assets	154	166
Experience loss on scheme liabilities	(138)	(21)
Changes in assumptions underlying present value of scheme liabilities	327	415
Actuarial gain recognised in the statement of total recognised gains and losses	343	560

Advanced Technologies (Cambridge) Limited

Notes to the accounts – 31 December 2007

10 Pensions (continued)

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

	2007		2006		2005		2004		2003	
	£'000	%	£'000	%	£'000	%	£'000	%	£'000	%
Difference between expected and actual return on scheme assets	154		166		344		12		264	
– percentage of scheme assets		3		4		11		1		1
Experience (losses)/gains on scheme	(138)		(21)		48		169		-	
– percentage of present value of scheme liabilities		2		-		1		4		-
Net actuarial gain/(loss)	343		560		(406)		81		(318)	
– percentage of present value of scheme liabilities		6		11		8		2		9

11 Related parties

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

12 Financial commitment

At 31 December 2007, the Company had annual commitments under non-cancellable leases expiring as follows

	2007 Land and buildings £'000	2006 Land and buildings £'000
In more than two years but not more than five years	421	421

The lease commitment above expires in 2012

13 Parent undertakings

The Company's ultimate parent undertaking and ultimate controlling party 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 2007

14 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