

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON D.C. 20549**

**FORM 20-F**

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

**OR**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT OF 1934 FOR THE FISCAL YEAR ENDED 31 DECEMBER 2008**

**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT of 1934**

**OR**

**SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES  
EXCHANGE ACT of 1934**

Commission file number 2-90552

**CADBURY**

**Public Limited Company**

(Exact name of Registrant as specified in its charter)

**England and Wales**

(Jurisdiction of incorporation or organization)

**Cadbury House, Sanderson Road, Uxbridge, UB8 1DH**

(Address of principal executive offices)

**Henry Udow**

**Chief Legal Officer & Group Secretary**

**Cadbury plc**

**Cadbury House, Sanderson Road, Uxbridge, UB8 1DH**

**01144 895 615000**

**01144 895 615001**

(Name, address, telephone and facsimile number of Company Contact Person)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

<b>Title of each class</b>	<b>Name of each exchange on which registered</b>
Ordinary Shares of 10p each	New York Stock Exchange
American Depositary Shares, each representing four Ordinary Shares, 10p per Ordinary Share	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

None

(Title of Class)

SECURITIES FOR WHICH THERE IS A REPORTING OBLIGATION  
PURSUANT TO SECTION 15(d) OF THE ACT:

None

(Title of Class)

The number of outstanding shares of each of the issuer's classes of capital or common stock as of 31 December 2008 was:

1,360,771,906 Ordinary Shares of 10p each

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Note — Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of “accelerated filer” and “large accelerated filer” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer       Accelerated filer       Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing.

US GAAP       International Financial Reporting Standards as issued by the International Accounting Standards Board       Other

If “Other” has been checked in response to the previous question, Indicate by check mark which financial statement item the Registrant has elected to follow:

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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## **INTRODUCTION**

In this Annual Report on Form 20-F (the “Report”) references to the “Company” or the “Group” are references to Cadbury public limited company, and its subsidiaries, except as the context otherwise requires.

Except for historical information and discussions contained herein, statements contained in these materials may constitute “forward-looking statements” within the meaning of Section 27A of the US Securities Act of 1933, as amended, and Section 21E of the US Securities Exchange Act of 1934, as amended. Forward-looking statements are generally identifiable by the fact that they do not relate only to historical or current facts or by the use of the words “may”, “will”, “should”, “plan”, “expect”, “anticipate”, “estimate”, “believe”, “intend”, “project”, “goal” or “target” or the negative of these words or other variations on these words or comparable terminology. Forward-looking statements involve a number of known and unknown risks, uncertainties and other factors that could cause our or our industry’s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by such forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future strategies of each business and the environment in which they will operate in the future. In evaluating forward-looking statements, you should consider general economic conditions in the markets in which we operate, as well as the risk factors outlined in this 20-F. These materials should be viewed in conjunction with our periodic half yearly and annual reports and other filings filed with or furnished to the Securities and Exchange Commission, copies of which are available from Cadbury plc, Cadbury House, Sanderson Road, Uxbridge UB8 1DH, United Kingdom and from the Securities and Exchange Commission’s website at [www.sec.gov](http://www.sec.gov). Cadbury plc does not undertake publicly to update or revise any forward-looking statement that may be made in these materials, whether as a result of new information, future events or otherwise. All subsequent oral or written forward-looking statements attributable to Cadbury plc or any person acting on their behalf are expressly qualified in their entirety by the cautionary statements above.

This Report has been prepared from the Cadbury Report & Accounts 2008, which will be distributed to shareholders on 31 March 2009. The relevant sections of the Report & Accounts 2008 that are responsive to the requirements of Form 20-F have been excerpted and repeated herein. In addition, certain additional information required by Form 20-F that is not included in the Report & Accounts 2008 has been included herein. The Report & Accounts 2008 has been furnished to the Securities and Exchange Commission, or “SEC”, on Form 6-K, dated 31 March 2009.

As described in this Report, during 2008, the Company completed the demerger of its Americas Beverages business. As part of the demerger, a new company, Cadbury plc, was inserted as the holding company above Cadbury Schweppes plc and listed on the London Stock Exchange with a secondary listing on the New York Stock Exchange via an ADR program. Cadbury plc is a successor registrant of Cadbury Schweppes plc for purposes of the Securities Exchange Act of 1934, as amended. Information regarding the Group prior to May 2008, including the financial information contained in this report, is that of Cadbury Schweppes plc.

## **PART I**

### **ITEM 1: IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS**

Not applicable.

### **ITEM 2: OFFER STATISTICS AND EXPECTED TIMETABLE**

Not applicable.

**ITEM 3: KEY INFORMATION**

**Selected Financial Data**

The selected financial data as at 31 December 2008 and 2007 and for each of the years in the three year period ended 31 December 2008 set forth below has been derived from the audited consolidated financial statements included herein. The selected financial data as at 31 December 2006, 1 January 2006 (“2005”), 2 January 2005 (“2004”) and for the years ended 1 January 2006 (“2005”) and 2 January 2005 (“2004”) set forth below have, with the exception of the reclassification of the discontinued operations (as described below), been derived from our audited financial statements for the respective periods, which are not included herein.

**IFRS Financial Record**

Income Statement	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
<b>Continuing Operations</b>					
<b>Revenue</b>	<b>5,384</b>	<b>4,699</b>	<b>4,483</b>	<b>4,295</b>	<b>3,990</b>
Trading costs	(4,803)	(4,258)	(4,071)	(3,799)	(3,576)
Restructuring costs	(194)	(165)	(107)	(62)	(110)
Non-trading items	1	2	23	5	17
<b>Profit from operations</b>	<b>388</b>	<b>278</b>	<b>328</b>	<b>439</b>	<b>321</b>
Share of result in associates	10	8	(15)	13	11
<b>Profit before financing and taxation</b>	<b>398</b>	<b>286</b>	<b>313</b>	<b>452</b>	<b>332</b>
Investment revenue	52	56	50	45	51
Finance costs	(50)	(88)	(119)	(174)	(196)
<b>Profit before taxation</b>	<b>400</b>	<b>254</b>	<b>244</b>	<b>323</b>	<b>187</b>
Taxation	(30)	(105)	(68)	24	11
<b>Profit for the period from continuing operations</b>	<b>370</b>	<b>149</b>	<b>176</b>	<b>347</b>	<b>198</b>
<b>Discontinued operations<sup>1</sup></b>					
(Loss)/profit for the period from discontinued operations	(4)	258	989	429	349
<b>Profit for the period</b>	<b>366</b>	<b>407</b>	<b>1,165</b>	<b>776</b>	<b>547</b>
Attributable to:					
<b>Equity holders of the parent</b>	<b>364</b>	<b>405</b>	<b>1,169</b>	<b>765</b>	<b>525</b>
Minority interests	2	2	(4)	11	22
	<b>366</b>	<b>407</b>	<b>1,165</b>	<b>776</b>	<b>547</b>
<b>Earnings per share</b>					
<b>From continuing and discontinued operations</b>					
Basic	22.6p	19.4p	56.4p	37.3p	25.9p
Diluted	22.6p	19.2p	55.9p	36.9p	25.7p
<b>From continuing operations</b>					
Basic	22.8p	7.0p	8.7p	16.4p	8.7p
Diluted	22.8p	7.0p	8.6p	16.2p	8.6p
<b>Earnings per ADR<sup>2</sup></b>					
<b>From continuing and discontinued operations</b>					
Basic	90.4p	77.6p	225.6p	149.2p	103.6p
Diluted	90.4p	76.8p	223.6p	147.6p	102.8p
<b>From continuing operations</b>					
Basic	91.2p	28.0p	34.8p	65.6p	34.8p
Diluted	91.2p	28.0p	34.4p	64.8p	34.4p

<sup>1</sup> The Group’s beverage businesses in Europe and South Africa were sold in 2006. In 2008 the Group completed the demerger of the Americas Beverages business and announced it had entered into a conditional agreement to sell the Australia Beverages business. As described in note 38, on 12 March 2009 the Group entered into a definitive sale and purchase agreement for the sale of Australia Beverages. All of these businesses have been classified as discontinued operations and the 2004 to 2007 financial information has been re-presented accordingly.

<sup>2</sup> Each ADR represents four ordinary shares.

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	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
<b>Cash Flow Statement</b>					
Net cash from operating activities	469	812	620	891	745
Net cash (used in)/generated from investing activities	(831)	(567)	522	(308)	(195)
Net cash (used in)/generated from financing activities	(31)	14	(1,212)	(592)	(539)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(393)</b>	<b>259</b>	<b>(70)</b>	<b>(9)</b>	<b>11</b>
<b>Opening net cash and cash equivalents</b>	<b>449</b>	<b>186</b>	<b>276</b>	<b>284</b>	<b>275</b>
Effect of foreign exchange rates	43	4	(20)	4	(2)
Less: Net cash and cash equivalents included in discontinued operations	—	—	—	(3)	—
<b>Closing net cash and cash equivalents <sup>1</sup></b>	<b>99</b>	<b>449</b>	<b>186</b>	<b>276</b>	<b>284</b>
<b>Balance Sheet</b>					
<b>Assets employed</b>					
Goodwill	2,288	2,805	2,487	2,299	2,352
Acquisition intangibles	1,598	3,378	3,261	3,200	3,261
Software intangibles	87	149	155	149	144
Property, plant and equipment	1,761	1,904	1,664	1,446	1,464
Investments in associates	28	32	22	372	324
Deferred tax assets	181	124	170	123	17
Retirement benefit assets	17	223	—	—	—
Non-current trade and other receivables	28	50	54	70	67
Other investments	2	2	2	2	11
Assets held for sale	270	71	22	945	5
Inventories	767	821	728	713	709
Short-term investments	247	2	126	47	21
Trade and other receivables	1,067	1,197	1,186	1,180	1,150
Tax recoverable	35	41	36	47	30
Cash and cash equivalents	251	493	269	332	325
Derivative financial instruments	268	46	51	67	—
<b>Total Assets</b>	<b>8,895</b>	<b>11,338</b>	<b>10,233</b>	<b>10,992</b>	<b>9,880</b>
Trade and other payables	(1,551)	(1,701)	(1,588)	(1,543)	(1,546)
Tax payable	(328)	(197)	(239)	(237)	(150)
Short-term borrowings and overdrafts	(1,189)	(2,562)	(1,439)	(1,194)	(610)
Short-term provisions	(150)	(111)	(55)	(42)	(67)
Current obligations under finance lease	(1)	(21)	(22)	(20)	(20)
Derivative financial instruments	(169)	(22)	(35)	(61)	—
Liabilities directly associated with assets classified as held for sale	(97)	(18)	(9)	(291)	—
Non-current trade and other payables	(61)	(37)	(30)	(32)	(27)
Borrowings	(1,194)	(1,120)	(1,810)	(3,022)	(3,520)
Retirement benefit obligations	(275)	(143)	(204)	(369)	(485)
Tax payable	(6)	(16)	(5)	(138)	(184)
Deferred tax liabilities	(121)	(1,145)	(1,050)	(954)	(895)
Long-term provisions	(218)	(61)	(18)	(11)	(10)
Non-current obligations under finance leases	(1)	(11)	(33)	(43)	(66)
<b>Net Assets</b>	<b>3,534</b>	<b>4,173</b>	<b>3,696</b>	<b>3,035</b>	<b>2,300</b>
<b>Equity</b>					
Equity attributable to equity holders of the parent	3,522	4,162	3,688	3,008	2,071
Minority interest	12	11	8	27	229
<b>Total equity</b>	<b>3,534</b>	<b>4,173</b>	<b>3,696</b>	<b>3,035</b>	<b>2,300</b>

<sup>1</sup> Net cash and cash equivalents includes overdrafts of £152 million (2007 £44 million, 2006 £83 million, 2005 £56 million, 2004 £41 million).

## Dividends

The interim dividend for 2008 of 5.3 pence per ordinary share was paid on 17 October 2008. The interim dividend for American Depositary Receipts (“ADRs”) of \$0.4195 per ADR was paid on 17 October 2008. The proposed final dividend for 2008 of 11.1 pence per ordinary share was announced by the Directors on 25 February 2009 and, subject to approval at the Annual General Meeting, will be paid on 22 May 2009 to those shareholders and ADR holders who are on the register at the close of business on 24 April 2009.

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The Group's previously listed parent entity, Cadbury Schweppes public limited company, paid cash dividends on its ordinary shares in respect of every financial year since the merger of Cadbury Group Limited with Schweppes Limited in 1969. Dividends are paid to owners of ordinary shares on dates which are determined in accordance with the guidelines of the UK Listing Authority. A final dividend is normally recommended by the Board of Directors following the end of the financial year to which it relates and is paid in the following May, subject to shareholders' approval at the Company's Annual General Meeting. An interim dividend is normally declared by the Board of Directors following the end of the first half year to which it relates.

The dividends for holders of ADRs are paid to ADR holders on the same date as to ordinary shareholders, giving ADR holders equal treatment to ordinary Shareholders. The dividend conversion rate was set as at the rate of the US dollar against pound sterling on 24 February 2009, being the date that the Annual Report and Accounts 2008 and full year press release were approved by the Board.

Future dividends to be paid by the Company will be dependent upon the Company's earnings, financial condition and other factors, including the amount of dividends paid to it by its subsidiaries. There is no UK governmental restriction on dividend payments to foreign shareholders which is applicable to the Company.

The tables below detail the amounts of interim, final and total dividends declared in respect of each financial year indicated, translated into US dollars per ADR (each representing four ordinary shares) at the Noon Buying Rate on each of the respective payment dates or the latest practical date for the proposed 2008 final dividend.

### Dividend Rates per Ordinary Share

Financial Year	2008	2007	2006	2005	2004
Pence per ordinary share					
Interim	5.30	5.00	4.10	4.00	3.80
Final	11.10(a)	10.50	9.90	9.00	8.70
<b>Total</b>	<b>16.40</b>	<b>15.50</b>	<b>14.00</b>	<b>13.00</b>	<b>12.50</b>

(a) To be paid on 22 May 2009 to ordinary shareholders (assuming shareholder approval)

### Dividend Rates per ADR

Financial Year	2008	2007	2006	2005	2004
£ per ADR					
Interim	0.21	0.20	0.16	0.16	0.15
Final	0.44	0.42	0.40	0.36	0.35
<b>Total</b>	<b>0.65</b>	<b>0.62</b>	<b>0.56</b>	<b>0.52</b>	<b>0.50</b>
US Dollars per ADR					
Interim	0.42	0.41	0.30	0.28	0.27
Final	0.63	0.84	0.77	0.63	0.63
<b>Total</b>	<b>1.05</b>	<b>1.25</b>	<b>1.07</b>	<b>0.91</b>	<b>0.90</b>

(a) To be paid on 22 May 2009 to ADR holders (assuming shareholder approval, conversion rate as at 24 February 2009: £1.00=\$1.4401)

## Exchange Rates

The table below details information regarding the U.S. dollar and pound sterling exchange rates for the periods presented.

Financial Year (a)	High US\$	Low US\$	Average (b)
2004	—	—	1.84
2005	—	—	1.81
2006	—	—	1.84
2007	—	—	2.00
2008 September	1.86	1.75	1.80
October	1.78	1.55	1.69
November	1.62	1.48	1.53
December	1.55	1.44	1.49
Full year	—	—	1.84
2009 January	1.53	1.37	1.45
February	1.49	1.42	1.44
March (to 20 March)	1.46	1.38	1.40

(a) The Company's financial year ends on 31 December.

(b) Calculated by using the average of the exchange rates on the last day of each month during the period.

On 31 December 2008, the last dealing day of the Company's financial year, the noon buying rate for pound sterling was £1.00 = \$1.46. On 20 March 2009, the noon buying rate for pound sterling was £1.00 = \$1.44. Fluctuations in the exchange rate between pound sterling and the US dollar will affect the US dollar equivalent of the pound sterling prices of the Company's ordinary shares listed on the London Stock Exchange and, as a result, are likely to affect the market price of the ADRs in the US. Such fluctuations will also affect the US dollar amounts received by holders of ADRs on conversion by the Depository of cash dividends paid in pounds sterling on the ordinary shares represented by the ADRs.

## Risk Factors

*Our business, financial condition, results of operations or share price could be materially adversely affected by any or all of the following risks, or by others that we cannot identify.*

### Risks Related to the Nature of our Business

#### ***ACTIONS OF GOVERNMENT ENTITIES OR THE MEDIA IN COUNTRIES WHERE WE OPERATE MAY NEGATIVELY IMPACT OUR OPERATIONS OR INCREASE OUR COST OF DOING BUSINESS***

The Group is at risk from significant and rapid change in the legal systems, regulatory controls, and custom and practices in the countries in which we operate. These affect a wide range of areas including the composition, production, packaging, labelling, distribution and sale of the Group's products; the Group's property rights; our ability to transfer funds and assets within the Group or externally; employment practices; data protection; environment, health and safety issues; and accounting, taxation and stock exchange regulation and involve actions such as product recalls, seizure of products and other sanctions. Accordingly, changes to, or violation of, these systems, controls or practices could increase costs and have material and adverse impacts on the reputation, performance and financial condition of the Group.

Political developments and changes in society, including increased scrutiny of the Group, our businesses or our industry, for example by non-governmental organisations or the media, may result in, or increase the rate of, material legal and regulatory change, and changes to custom and practices.

The Group may also be subject to regulation designed to address concerns about dietary trends. This could include the introduction of additional labelling requirements, and levying additional taxes on, or restricting the production or advertising of, certain product types, which could increase the Group's costs or make it harder for the Group to market its products, adversely affecting its performance.

#### ***A FAILURE OF OUR CONTROLS IN ONE OR MORE COUNTRIES WHERE WE OPERATE COULD ADVERSELY IMPACT OUR RESULTS***

The Group is exposed to control and other risks inherent in a business which operates in many countries. A failure of control in one or more countries may materially adversely affect the performance or financial condition of the Group as a whole. Approximately one-third of the Group's revenues are generated in emerging markets, which have less developed political, legal and regulatory systems which are at higher risk of failure than those of developed markets. Any failure may have a materially adverse impact on the Group's performance or financial condition.



***DISRUPTION IN OUR MANUFACTURING AND DISTRIBUTION SYSTEMS COULD MATERIALLY ADVERSELY AFFECT OUR ABILITY TO MAKE AND SELL PRODUCTS AND HAVE A NEGATIVE IMPACT ON OUR REPUTATION, PERFORMANCE OR FINANCIAL CONDITION***

The Group is at risk from disruption of a number of key manufacturing and distribution assets and systems on which we increasingly depend. The functioning of the Group's manufacturing and distribution assets and systems could be disrupted for reasons either within or beyond the Group's control, including: extremes of weather or longer-term climatic changes; accidental damage; disruption to the supply of material or services; product quality and safety issues; systems failure; workforce actions; or environmental contamination. There is a risk that incident management systems in place may prove inadequate and that any disruption may materially adversely affect the Group's ability to make and sell products and therefore materially adversely affect our reputation, performance or financial condition.

***INCREASED COMPETITION OR CONCENTRATION OF OUR CUSTOMER BASE COULD LEAD TO INCREASE PRICING PRESSURE AND DECLINING MARGINS***

Increased competition in the markets in which we operate may materially adversely impact the Group's performance and financial condition. The confectionery industry is highly competitive. The Group competes with other multinational corporations which also have significant financial resources. There is increasing consolidation among our competitors. The Group may be unable to compete effectively if our competitors' resources are applied to change areas of focus, enter new markets, reduce prices, or to increase investments in marketing or the development and launch of new products. The Group is also at risk from the trend towards consolidation of the retail trade, which has led to a greater concentration of our customer base and which may result in increased pricing pressure from customers and adversely impact the Group's sales and margins.

***SHIFTS IN CONSUMER DEMAND FOR OUR PRODUCTS COULD ADVERSELY AFFECT OUR SALES***

Consumer demand for the Group's products may be affected by changes to consumer preferences. The Group may be unable to respond successfully or at reasonable cost to rapid changes in demand or consumer preferences, which may adversely affect its performance.

***THE KEY RAW MATERIALS THAT WE USE IN OUR BUSINESS COULD BE SUBJECT TO SIGNIFICANT VOLATILITY IN PRICE AND SUPPLY, AND THIS COULD INCREASE OUR COSTS***

The Group depends upon the availability, quality and cost of raw materials from around the world, which exposes us to price, quality and supply fluctuations, including those occurring because of the impact of disease or climate on harvests. Key raw materials include cocoa, milk, sweeteners, packaging materials and energy, some of which are available only from a limited number of suppliers. A failure to recover higher or shortfalls in availability or quality could materially adversely impact the Group's performance.

***BECAUSE OUR RETIREMENT BENEFIT PLANS ARE FUNDED THROUGH INVESTMENTS IN VOLATILE CAPITAL MARKETS, WE COULD EXPERIENCE A SHORTFALL IN FUNDING OF RETIREMENT BENEFITS, WHICH WOULD SIGNIFICANTLY ADVERSELY AFFECT OUR FINANCIAL POSITION***

The Group is at risk from potential shortfalls in the funding of our various retirement and healthcare benefit schemes. The liabilities of these schemes reflect the Group's latest estimate of life expectancy, inflation, discount rates and salary growth which may change. These schemes are generally funded externally under trust through investments in equities, bonds and other external assets, the values of which are dependent on, among other things, the performance of equity and debt markets, which can be volatile. Changes in the value of the assets or liabilities of these schemes and therefore their funding status may require additional funding from the employing entities and may adversely impact the Group's financial condition.

***UNFAVORABLE GENERAL ECONOMIC CONDITIONS IN COUNTRIES WHERE WE OPERATE COULD NEGATIVELY IMPACT OUR FINANCIAL PERFORMANCE***

Unfavorable general economic conditions, such as a recession or economic slowdown in one or more of our major markets, could negatively affect consumer demand for our products. Consumer spending is generally affected by a number of factors, including general economic conditions, inflation, interest rates, energy costs and consumer confidence generally, all of which are beyond our control.

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Consumer purchases of discretionary items tend to decline during recessionary periods, when disposable income is lower. Consumers may seek to reduce discretionary spending by foregoing purchases of confectionery products or by shifting away from our products to lower-priced products offered by our competitors. Softer consumer demand for our products could reduce our sales and profitability. In addition, the disruption in the credit markets could impact our ability to manage normal commercial relationships with our customers, supplies and creditors. If the current economic situation deteriorates significantly, our business could be negatively impacted due to supplier or customer disruptions resulting from tighter credit markets or other economic factors.

### **Risks related to our structure and processes**

#### ***FAILURE OF OUR INFORMATION TECHNOLOGY INFRASTRUCTURE COULD ADVERSELY AFFECT OUR DAY-TO-DAY BUSINESS AND DECISION MAKING PROCESSES AND HAVE AN ADVERSE AFFECT ON OUR PERFORMANCE***

The Group depends on accurate, timely information and numerical data from key software applications to aid day-to-day business and decision-making. Any disruption caused by failings in these systems, of underlying equipment or of communication networks could delay or otherwise impact the Group's day-to-day business and decision-making and have materially adverse effects on the Group's performance.

#### ***MANY COMPONENTS OF OUR BUSINESS ARE DEPENDENT UPON THE PERFORMANCE OF OTHER COMPONENTS AND, ACCORDINGLY, COULD BE ADVERSELY AFFECTED BY ANY FAILURE OR OUR UNDERPERFORMANCE***

The Group's operations in individual countries are increasingly dependent for the proper functioning of their business on other parts of the Group in terms of raw material and product supply, new products and sales and marketing programme development, technology, funding and support services. Any underperformance or failure to control properly the Group's operations in one country could therefore impact the Group's businesses in a number of other countries and materially adversely impact the performance or financial condition of other business units or the Group as a whole.

#### ***OUR PRODUCTS COULD BECOME CONTAMINATED, WHICH COULD BE EXPENSIVE TO REMEDY, CAUSE DELAYS IN MANUFACTURING AND ADVERSELY AFFECT OUR REPUTATION AND FINANCIAL CONDITION***

Despite safety measures adopted by the Group, our products could become contaminated or not meet the required quality or safety standards. The Group uses many ingredients, and there is a risk of either accidental or malicious contamination. Any contamination or failure to meet quality and safety standards may be costly and impact the Group's reputation and performance.

#### ***THE FAILURE OF THIRD PARTIES TO WHOM WE HAVE OUTSOURCED BUSINESS FUNCTIONS COULD ADVERSELY AFFECT OUR REPUTATION AND FINANCIAL CONDITION***

The Group is increasing the use of outsourcing arrangements with third parties, notably in information technology, manufacturing, finance and human resources operations. While the Group has benefited from the expertise of these third parties, we are at risk from failures by these third parties to deliver on their contractual commitments, which may adversely impact our reputation and performance, and increase its costs.

#### ***WE DEPEND ON OUR SUBSTANTIAL INTELLECTUAL PROPERTY RIGHTS AND A CLAIM OF INFRINGEMENT COULD REQUIRE US TO EXPEND SIGNIFICANT RESOURCES AND, IF SUCCESSFUL, COULD ADVERSELY AFFECT OUR BUSINESS***

The Group has substantial intellectual property rights and interests which are important to the Group and may require significant resources to protect and defend. The Group may also infringe others' intellectual property rights and interests and therefore be required to redesign or cease the development, manufacture, use and sale of our products so that they do not infringe others' intellectual property rights. This may require significant resources or not be possible. The Group may also be required to obtain licenses to infringed intellectual property, which may not be available on acceptable terms, or even at all. Intellectual property litigation by or against the Group could significantly disrupt the Group's business, divert management's attention, and consume financial resources, and therefore have a materially adverse impact on the reputation, performance and financial condition of the Group.

**Risks related to the implementation of the Group's strategy and its change and restructuring programmes**

***WE CAN OFFER NO ASSURANCES REGARDING THE ULTIMATE EFFECT OF THE SEPARATION OF OUR BEVERAGES BUSINESSES***

The demerger of Americas Beverages was completed in May 2008. In December 2008 we announced an agreement to sell Australia Beverages, the Group's last remaining beverage business, subject to certain conditions. As a result of becoming a "pure play" confectionery business, the Group will be more susceptible to the risks inherent in that business.

***THERE CAN BE NO GUARANTEE THAT THE GROUP'S VISION INTO ACTION PLAN WILL DELIVER IMPROVEMENTS IN BUSINESS PERFORMANCE AND THE IMPLEMENTATION OF THE PLAN MAY DISRUPT THE GROUP'S BUSINESS***

We are pursuing a strategy called Vision into Action, which includes a plan to improve its margin performance to achieve a mid-teens operating margin by 2011. This plan includes gross reductions of approximately 15% in the number of factories, material changes to the Group's supply chain configuration, and to the structure and operation of other Group Functions. These changes increase the risk of significant disruption to the Group's business, which may occur, for example, through defective execution of the Vision into Action plan, unforeseen events, or workforce actions.

The Group expects to incur restructuring charges of approximately £450 million through 2011 (of which around £50 million is expected to be non-cash) and invest around £200 million of capital expenditure behind the 'Vision into Action' plan. There can be no guarantee, however, that this investment, or the Group's other or subsequent investments, will deliver the anticipated improvements in business performance.

***RISKS INHERENT IN THE ACQUISITION OR DISPOSAL OF BUSINESSES AND BRANDS MAY HAVE AN ADVERSE IMPACT ON THE GROUP'S BUSINESS OR FINANCIAL RESULTS***

From time to time the Group may make acquisitions and disposals of businesses and brands. The rationale for them may be based on incorrect assumptions or conclusions and they may not realise the anticipated benefits or there may be other unanticipated or unintended effects. Additionally, significant liabilities may not be identified in due diligence or come to light after the expiry of warranty or indemnity periods. These factors may materially adversely impact the performance or financial condition of the Group.

***WE ARE EXPOSED TO MARKET RISKS SUCH AS INTEREST RATE AND EXCHANGE RATE RISKS ARISING FROM OUR INTERNATIONAL BUSINESS***

The main financial risks facing the Group are fluctuations in foreign currency, interest rate risk, availability of financing to meet the Group's needs and default by counterparties. Any of these financial risks may materially adversely impact the performance or financial condition of the Group. A detailed discussion of the Group's financial risks can be found on pages 52 to 56.

**ITEM 4: INFORMATION ON THE COMPANY**

The legal and commercial name of the Company is Cadbury Public Limited Company. The Company was incorporated on 7 February 2008 and is registered under the laws of England and Wales as a public limited company. Its registered number is 6497379. Its principal executive offices are located at Cadbury House, Sanderson Road, Uxbridge, England, UB8 1DH, (telephone +44 895 615000). The legislation under which the Company operates is the Companies Acts 1985 and 2006, as amended (the "Companies Act").

References to the Group, Cadbury, and Americas Beverages throughout this document are defined as follows:

For periods prior to 2 May 2008, the term Group refers to the group of subsidiary and associated companies headed by Cadbury Schweppes plc. From 2 May 2008, the term refers to the group of subsidiary and associated companies headed by Cadbury plc.

Cadbury means the Cadbury group.

The Group operated through four regions: Britain, Ireland, Middle East and Africa (BIMA); Europe; Americas; Asia Pacific and the Central functions, which collectively, are the Cadbury plc continuing group as it exists at the present date, and its discontinued beverages businesses.

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Americas Beverages is the non-alcoholic beverage business in the United States, Canada, and Mexico, which became Dr Pepper Snapple Group, Inc. (or DPS) following its demerger from the Group on 7 May 2008.

The Group's current principal business is confectionery. Following the acquisition of Wrigley by Mars, we are now the second biggest confectionery business by revenue, with broad participation across its three categories of chocolate, gum and candy and by geography. In December 2008, the Group announced the sale of the Australian Beverages business.

### **Demerger**

In March 2007, the Group announced that each of the Confectionery and Americas Beverages businesses had the appropriate platforms to deliver enhanced shareholder returns from being focused, stand-alone businesses.

On 10 October 2007, the Group announced that it had decided to focus on a demerger of its Americas Beverages business through a listing on the New York Stock Exchange. The business was renamed Dr Pepper Snapple Group, Inc. (DPS).

On 2 May 2008 Cadbury plc was inserted as a new holding company above Cadbury Schweppes plc and listed on the London Stock Exchange with a secondary listing on the New York Stock Exchange via an ADR programme. On 7 May 2008 DPS was demerged and listed on the New York Stock Exchange.

### **Comparative statements**

In this Report, Cadbury makes certain statements with respect to its market position, or its products' or brands' market positions, by comparison with third parties or their products or brands. These statements are based on independent sources, such as Euromonitor, and are accurate to the best of the knowledge and belief of Cadbury.

### **Origins**

Our origins date back to the founding of Schweppes, a mineral water business, by Jacob Schweppes in 1783, and the opening of a shop which sold cocoa products by John Cadbury in 1824. The two businesses were merged in 1969 to create Cadbury Schweppes.

In the last 26 years, Cadbury significantly changed its geographic and product participation in the confectionery and beverages markets, mainly through a programme of business purchases and sales. In 1997, the Group adopted its 'Managing for Value' philosophy with the aim of delivering superior returns for its shareholders. The Group subsequently made disciplined capital allocation decisions focused on the two growing and profitable markets of confectionery and beverages, and refined its portfolio through an active acquisition and disposal programme, which improved its participation in its chosen markets and strengthened its competitive position. Through a series of disposals of its beverages business around the world, the Group has now re-focused on being a pure confectionery group.

### **Developments in Confectionery**

The acquisition of Adams for US\$4.2 billion in 2003 was a significant step-change in the Group's participation in the global confectionery market, both by category and by geography. Through Adams, the Group nearly doubled its global confectionery market share to 10% and has become the global number two company in gum with a 27% market share, and nearly doubled its global candy market share to 7%. (Source: Euromonitor 2006). By geography, Adams significantly increased the Group's presence in markets in North and South America, Europe and Asia, and resulted in higher growth in emerging markets representing around 30% of the Group's confectionery revenues.

Following the Adams acquisition, the Group focused in confectionery on:

- > integrating the Adams business;
- > improving capabilities and commercial execution to increase revenue growth;
- > further strengthening its confectionery platform through selected bolt-on acquisitions; and
- > reducing costs through its 'Fuel for Growth' programme to improve margins and allow investment behind growth initiatives.

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The Adams integration was completed one year ahead of schedule in 2005, with the business outperforming the acquisition plan. This was primarily due to the strength of the Group's performance in major gum markets such as the US, and in the roll-out of Adams products and technologies across the Group, such as in France under the Hollywood brand and in Northern Europe and Russia under the Stimorol and Dirol brands.

Since the Adams acquisition, the Group has also invested in a small number of targeted bolt-on acquisitions in faster-growing, emerging markets and in brands with strong growth potential. The total investment has been approximately £500 million, with acquisitions including: Green & Black's, the UK premium chocolate brand; Kent and Intergum, the leading candy and gum businesses respectively in Turkey; Dan Products, the leading gum business in South Africa; Kandia-Excelent, the second largest confectionery company in Romania and Sansei Foods Co. Ltd, a Japanese functional candy company. At the same time, a number of small, low growth and non-core brands and businesses have been sold.

### The world of confectionery

All market information in this report is sourced from Euromonitor unless otherwise specified.

#### Explaining Cadbury's markets

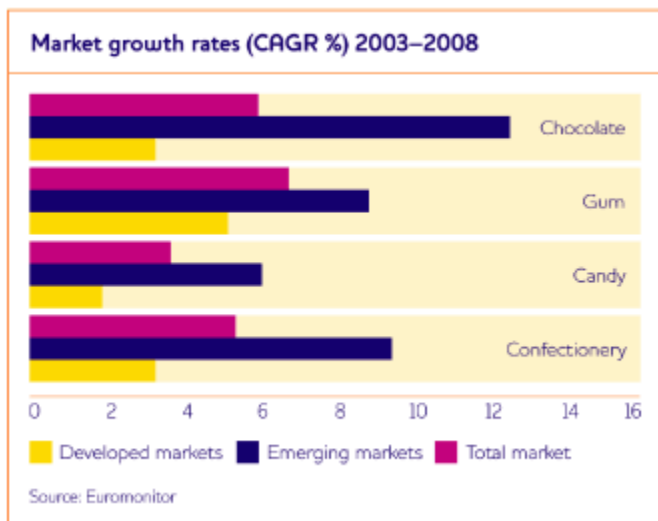
With over \$150 billion of retail sales globally in 2008, confectionery is a large market. It is in fact the fourth largest segment in packaged foods – a global market worth an estimated \$1,800 billion.

#### An attractive market

The confectionery market has grown steadily over the past five years at a rate of 5% (compound annual growth rate). Growth in developed markets, which represent around 60% of the total by value, has been at around 3% p.a. whereas growth in emerging markets, the remaining 40%, has been strong at around 10% p.a.

Innovation is a major driver of growth in developed markets where premium and 'better-for-you' products are prevailing themes.

The faster pace of growth in emerging markets can be attributed to higher population growth rates and rising levels of prosperity, which has increased demand for affordable luxuries and treats.



Established brands play an important part in the world of confectionery, with a relatively low penetration of private label. The share of private label products has been stable at 4% for the last five years.

Confectionery products are sold through a wide range of outlets which vary from market to market. The share of the impulse channel – outlets where product is bought on impulse from display rather than as part of planned shopping – is roughly 40% in developed markets and is greater in some emerging markets.

#### Category dynamics vary

Overall, the confectionery market is relatively fragmented. Even after the merger of Mars and Wrigley, the top five players account for only 42% of the market.

Chocolate represents the biggest segment in the category with a 55% share in value and has been growing at a rate of 6% in the last four years. Chocolate is mainly a regional business where consumers seek a particular taste in each market. This brings about fragmentation in the market as well as complexities in production. The top five producers account for 50% of the global market, and there is scope for rationalisation.

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Gum, with a 14% share in confectionery sales, is the fastest growing segment at 7%, led by innovation and marketing. This is the most consolidated segment with the top two players, Wrigley and Cadbury, accounting for over 60% of the market. Gum ‘travels well’ and well-run global businesses can generate good economies of scale. Innovation and formulation are also important barriers to entry to new competition.

Candy is the most fragmented confectionery segment with a proliferation of local brands and growth around 4%. The top five players represent only a quarter of global confectionery sales. Functional candy such as cough drops, indulgent candy such as premium toffees and natural products without artificial colours or sweeteners, have been drivers of market growth.

### **Main trends in confectionery**

“Health has had a major influence on the confectionery market as a whole, but despite that, chocolate has not seen a significant decline in demand.

Sugar confectionery has adapted to ‘healthier’ requirements, and introduced natural colours and flavours which have continued to drive consumption. In chocolate, innovation has concentrated on the introduction of dark varieties, new flavours (e.g. lavender, chilli) and functional chocolates, but the key drivers such as comfort eating, premiumisation and indulgence dominate.

The impact of rising cocoa prices will continue to drive innovation in portion size and bite size products, but volume sales of premium confectionery will decline as consumers look to trade down.”

An independent opinion from Mintel, a leading global supplier of consumer, product and media intelligence

### **Cadbury – One of the leading global confectionery businesses**

Cadbury is the second largest confectionery company with a 10.5% share of the global market. This ranking is underpinned by no. 1 and no. 2 market positions in over 20 of the world’s 50 largest confectionery markets by retail value. Markets where Cadbury has a no. 1 and no. 2 market position accounted for approximately three-quarters of Cadbury’s revenue in 2008.

### **Cadbury’s brand portfolio**

Cadbury has developed a global portfolio of brands which have improved in value over time through innovative product extensions and introductions into new markets. The Group’s brands include many global, regional and local favourites.

Cadbury’s chocolate business is built on regional strengths, including strong market positions in the UK, Ireland, Australia, New Zealand, South Africa and India. The largest brand in chocolate is Cadbury Dairy Milk: other key brands are Creme Egg, Flake, and Green & Black’s.

Cadbury has a no. 2 position in gum, Trident being the largest brand in the portfolio as well as the largest gum brand in the world. This position is built on strong market shares in the Americas, in Europe (including France, Spain and Turkey) and in Japan, Thailand and South Africa. Other major brands include Hollywood, Stimorol, Dentyne, Clorets and Bubbalo.

Halls is the largest candy brand in the world, and accounts for approximately one-third of Cadbury’s candy revenue. Halls and other global, regional and local brands such as Maynards, The Natural Confectionery Co. and Cadbury Eclairs give Cadbury the no. 1 position in global candy.

### **Cadbury’s strength in growth markets**

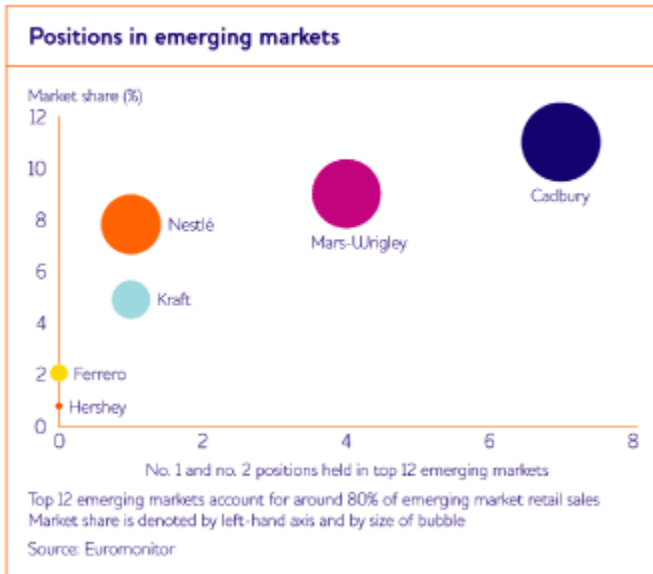
In confectionery, Cadbury has the largest and most broadly spread emerging markets business amongst its peers. In 2008 these markets accounted for over one-third of our confectionery revenue and 60% of our revenue growth. In the last five years, Cadbury’s emerging markets confectionery businesses grew on average by 12% p.a. on a like-for-like basis. Emerging markets will continue to be a key point of focus for the Group due to the expectation of higher product growth rates than the developed markets as living standards continue to rise in emerging markets.



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Gum is the fastest growing category within confectionery with a 7% p.a. value growth rate over the last four years. Gum accounts for 33% of Cadbury's revenues, a relatively high ratio compared to gum's share in the global market of 14%.

'Better-for-you' confectionery, including products such as fortified/functional confectionery, and reduced-sugar confectionery grew by 11% p.a. from 2002–2007, compared with 5% growth for confectionery as a whole. Cadbury's 'wellness' sub-category accounts for around 30% of revenue which compares favourably with 17% for the market. 'Wellness' is a focus for management as increased consumer attention on diet, health and fitness is expected to drive above average growth for 'wellness' products. Consumer choice is also one of the key elements of our approach to responsible consumption led by our innovative 'Be Treatwise' programme which is outlined on page 22.



### Confectionery resilience in an environment of economic slowdown

"During the last recession in the UK, the confectionery market value grew as demand remained strong. Sugar confectionery grew slightly more than chocolate.

Chocolate remains an affordable and permissible treat, and with more time spent at home, sharing packs of all confectionery will prosper.

The big seasonal occasions (Christmas, Easter, and Valentines) will see strong sales, and premium chocolate on these occasions will benefit from consumers trading down from other gifts.

Prospects remain positive for sugar confectionery and gum."

An independent opinion from Mintel, a leading global supplier of consumer, product and media intelligence

### Evolving our organisation

This year, we have also taken the opportunity to simplify and strengthen further the organisational structure of the business. From 2003 to 2008 the confectionery business was run using a regional structure, with strong leadership to drive strategic change and build strong commercial functions. Since the introduction of our global categories in 2006 for Chocolate, Gum and Candy, we are increasingly managing our commercial strategies on a global basis and driving in-market execution at a business unit level.

Reflecting these operational developments, and with the established strategic programme firmly embedded in the business units, we have taken the decision to remove the regional level from 2009 onwards and directly manage the seven underlying business units and the strong global functional leadership. This transition and the evolution of our structure are explained in more detail on page 19.

### The Vision into Action ("VIA") programme

In mid-2007, the Group announced that part of its confectionery strategy is to achieve mid-teen margins by 2011. In pursuit of this goal the Group implemented a major group-wide cost reduction programme to significantly reduce the central and regional SG&A and supply chain costs. Consequently, over the 2007 to 2011 period, around 15% of our manufacturing sites around the world are expected to be closed and it is anticipated that headcount will also be significantly reduced as a result.

### Our businesses described

The changes to our organisation model described below were implemented from the start of 2009. Our results and performance have been reported on the basis the business was managed in 2008 – by the four regions, together with our discontinued beverage activities.

This section sets out the four regions and the seven business units that they will become in 2009. Details of the operating performance of our businesses can be found in the financial review.

## Europe Region

	2008	% of Group Total <sup>1</sup>
<b>Revenue</b>	£1,097m	20%
<b>Underlying profit from operations<sup>2</sup></b>	£115m	16%
<b>Underlying operating margin</b>	10.5%	—%
<b>Profit from operations</b>	£44m	8%

In 2008, Europe was managed as a single operating region

1 Excludes Central

2 For an explanation of underlying profit from operations, see pages 32-34. For a reconciliation to profit from operations, see page F-7, “Segmental reporting.”

Main markets: France, Turkey, Russia, Poland, Spain, Denmark, Greece, Portugal, Romania, Netherlands, Switzerland, Sweden, Norway, Belgium

Main brands: Trident, Halls, Hollywood, Stimorol, Dirol, Wedel, Carambar, Jelibon, Kandia, Poulain

We have significant gum and candy businesses in Europe, with excellent gum market shares in the majority of Western Europe, Scandinavia, Turkey and Russia. Our chocolate businesses are concentrated in Poland, Russia and France.

Our biggest European operating unit is in France, where we sell gum under the Hollywood brand; candy, under the La Pie Qui Chante and Carambar brands; and chocolate, mainly under the Poulain brand. Our gum and candy brands, with market shares of 43% and 17%, respectively, give us a good footing in the French market, the world’s eighth largest confectionery market.

The successful integration of Intergum, acquired in August 2007, makes Turkey our second largest operating unit in Europe and puts Cadbury at second position in the overall confectionery market, behind a local chocolate player in 2008. We took significant steps to transform our route-to-market in Turkey in order to capitalise on our market shares there — over 50% in both gum and candy.

In gum, we have additional strong market positions, commanding around a third of the market or more, in Denmark, Portugal, Greece, Switzerland, Spain, Sweden, Belgium, Netherlands, Norway and Russia. Our gum products are sold under the Trident brand in Spain, Portugal as well as under the Stimorol and V6 brands in Switzerland, Denmark, Belgium and Sweden and the Dirol brand in Russia.

In candy, we sell Halls in nearly all of our main markets in addition to our local candy brands.

We sell chocolate in Poland under the Wedel and Cadbury brands and command an 18% market share.

## BIMA Region

	2008	% of Group Total <sup>1</sup>
<b>Revenue</b>	£1,645m	31%
<b>Underlying profit from operations<sup>2</sup></b>	£173m	23%
<b>Underlying operating margin</b>	10.5%	—%
<b>Profit from operations</b>	£107m	19%

In 2008, the BIMA region was managed as a single operating region. From 2009, this region will be managed as two separate business units: Britain and Ireland; and Middle East and Africa.

1 Excludes Central

2 For an explanation of underlying profit from operations, see pages 32 – 34. For a reconciliation to profit from operations, see page F-7, “Segmental reporting.”



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<i>Britain and Ireland Business Unit</i>	2008	2008 Share of revenue
<b>Revenue</b>	£1,269m	24%

Main markets: UK, Republic of Ireland

Main brands: Cadbury Dairy Milk, Creme Egg, Flake, Green & Black's, Crunchie, Bassetts, Maynards, Trebor, Trident, Halls, The Natural Confectionery Co., Eclairs

Britain and Ireland (B&I) is the largest business unit in the Group. The UK, representing the majority of the revenues, has traditionally been a significant chocolate business with a 30% market share. We also have a strong chocolate market position in Ireland with a 42% market share, although Ireland is a considerably smaller market. We sell chocolate principally under the Cadbury and Green & Black's brands and in 2008, we added two more variants of Cadbury Dairy Milk, Apricot Crumble and Cranberry & Granola, launched Cadbury Creme Egg Twisted and brought Wispa back.

We also have a significant candy business in B&I, with excellent market positions in the UK (26%) and in Ireland (37%). Our candy products trade under brands including Halls, Bassetts, Maynards, The Natural Confectionery Co. and Trebor. We disposed of the Monkhill business, which principally manufactures sugar confectionery and popcorn for the UK market, in February 2008, as it was non-core.

We have 8 manufacturing sites and 5,700 employees in B&I. As part of our Vision into Action strategic plan, we are reconfiguring the supply chain in this business unit. We plan to close our Somerdale plant in 2010 and transfer its chocolate production to Bournville and a new site which is being built in Poland.

<i>Middle East and Africa Business Unit</i>	2008	2008 Share of revenue
<b>Revenue</b>	£376m	7%

Main markets: South Africa, Botswana, Swaziland, Namibia, Kenya, Egypt, Lebanon, Morocco, Nigeria, Ghana

Main brands: Cadbury, Halls, Eclairs, Stimorol, Dentyne, Clorets, Trident, Chiclets, Endearmints, Chappies, Bournvita, Tom Tom, Bubba

Cadbury has the leading position in confectionery in Africa through its operations, principally in South Africa, Nigeria and Egypt. While our manufacturing is based in South Africa, Swaziland, Botswana, Namibia, Kenya, Egypt, Lebanon, Morocco, Ghana and Nigeria, our products are sold in the majority of the countries throughout the Middle East and Africa.

The business unit represents only about 7% of Group revenues: however, we believe it has significant growth potential.

South Africa is the largest confectionery market in Africa, and we are the biggest player with a 27% market share. Our chocolate and candy products are sold under the Cadbury and Halls brands. Our share in the gum market stands at 67%, mainly under the Stimorol brand.

Egypt, where we have a 38% overall market share, is a growing market. We are particularly strong in chocolate and gum with brands such as Cadbury and Chiclets.

The Nigerian business sells candy, food beverages and gum. The leading brands include Tom Tom, our biggest selling candy in Africa, Bournvita and Stimorol. The Nigerian operations have gone through significant restructuring since we increased our shareholding to 50.02% and exhibit healthy growth potential.

## Americas Region

	2008	% of Group Total <sup>1</sup>
<b>Revenue</b>	£1,631m	30%
<b>Underlying profit from operations<sup>2</sup></b>	£315m	42%
<b>Underlying operating margin</b>	19.3%	—%
<b>Profit from operations</b>	£296m	54%

In 2008, the Americas region was managed as a single operating region. From 2009, this region will be managed as two separate business units: North America; and South America.

<sup>1</sup> Excludes Central

<sup>2</sup> For an explanation of underlying profit from operations, see pages 32–34. For a reconciliation to profit from operations, see page F-7 “Segmental reporting.”

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<i>North America Business Unit</i>	2008	2008 Share of revenue
<b>Revenue</b>	£1,201m	22%

Main markets: Canada, US, Mexico

Main brands: Trident, Halls, Cadbury, Dentyne, Stride, Chiclets, Bubbalo, Clorets

Our North America business comprises the US, Canada and Mexico, three of the largest confectionery markets in the world, and extends through Central America and the Caribbean. US and Mexico are primarily gum markets for us, while we also have good candy positions, leading the cough/cold confectionery segment.

The US is the world's largest confectionery market where 19% of the world's confectionery is consumed. We have secured the second largest gum share in this market at 34% (source: Nielsen) through innovation and effective marketing since we acquired Adams in 2003. Our products are sold under the Trident, Dentyne, Stride and Bubblicious brands. We also sell candy, Swedish Fish and Sour Patch Kids, in the US and our Halls brand has a 55% market share (source: Nielsen) in the cough/cold segment.

We are the market leader in confectionery in Canada, the world's 11th largest market, with a 20% market share. We sell chocolate under the Cadbury brand and we are one of the four big players in chocolate with a 14% share. In gum, we have a strong position, the main brands being Trident, Dentyne, Stride and Bubblicious. Our market leadership in candy (21%) is supported by our Maynards and Halls brands.

We are the largest confectionery player in Mexico and have over 80% market share in both gum and cough candy (source: Nielsen). Gum is sold mainly under the Trident, Clorets Bubbalo and Chiclets brands, and candy under the Halls brand.

<i>South America Business Unit</i>	2008	2008 Share of revenue
<b>Revenue</b>	£430m	8%

Main markets: Brazil, Argentina, Venezuela, Colombia

Main brands: Trident, Halls, Bubbalo, Chiclets, Beldent

Cadbury has businesses in Brazil, Argentina, Venezuela, Colombia and Peru, all of which are amongst the world's 50 largest markets and also in Ecuador, Bolivia, Chile, Uruguay and Paraguay. We have the leading position in South America with a market share of nearly 20%, with core strengths in gum and candy.

Confectionery is sold mainly in the impulse channel in South America through a large universe of small shops and kiosks. Cadbury has built a broad and deep route to market which enables it to reach consumers effectively.

Brazil is the 7th largest confectionery market in the world and our largest operating unit in South America. We have a 75% market share in gum with brands such as Trident, Chiclets and Bubbalo.

Argentina is another sizable market where we have excellent market shares: 55% in gum and 24% in candy. Gum is sold mainly under the Beldent, Bazooka and Bubbalo brands and candy, mainly under the Halls brand.

We have similarly strong gum positions in Venezuela and Colombia with our Trident and Chiclets brands as well as solid market shares in candy with Halls.

**Asia Pacific Region**

	2008	% of Group Total <sup>1</sup>
Revenue	£1,002m	19%
Underlying profit from operations <sup>2</sup>	£143m	19%
Underlying operating margin	14.3%	—%
Profit from operations	£106m	19%

In 2008, Asia Pacific region was managed as a single operating region. From 2009, this region will be managed as two separate business units.

1 Excludes Central

2 For an explanation of underlying profit from operations, see pages 32–34. For a reconciliation to profit from operations, see page F-7, “Segmental reporting.”

<i>Asia Business Unit</i>	2008	2008 Share of revenue
<b>Revenue</b>	£337m	6%

Main markets: India, Malaysia, Thailand and China

Main brands: Cadbury Dairy Milk, Bournvita, Halls, Eclairs/Choclairs, Clorets, Dentyne

India is our biggest operation in Asia where we have a strong legacy Cadbury presence. The business has by far the largest share of the chocolate category and also markets candy under the Eclairs and Halls brands; Bournvita has a strong presence in Food Drinks. Bubbaloos was introduced in 2007 and has since captured around 10% share of the bubble gum market.

Malaysia is a good example of a total confectionery model in action. In a short span of five years the business has gained a leadership position in chocolate and candy with a strong no.2 position in gum. Equally, Thailand is an important market where we have a 59% share in gum and a 22% share in candy.

China is the world’s 6th largest confectionery market and one where we are seeking to grow our presence through our leading brands — Choclairs and Halls.

<i>Pacific Business Unit</i>	2008	2008 Share of revenue
<b>Revenue</b>	£665m	13%

Main markets: Japan, Australia, New Zealand

Main brands: Cadbury, The Natural Confectionery Co, Boost, Cherry Ripe, Clorets, Recaldent, Halls

We classify our operations in Australia, New Zealand and Japan under the Pacific business unit. In 2008, Australia Beverages was separated from the Australian confectionery operations and classified as a discontinued business. The description and the financial information in this section pertains only to our confectionery operations.

Australia is by far our biggest business in the Pacific and a focus market, followed by Japan and New Zealand. Cadbury has a leading position in Australia with an overall 30% market share. Chocolate is a big part of revenues in Australia and we have the largest market share (39%), mainly with Cadbury Dairy Milk, Cherry Ripe, Boost and a wide portfolio of other chocolate brands. We also have a strong presence in candy with a 21% market share.

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Japan is the world's 5th largest confectionery market. Sansei Foods, which is a Japanese functional candy company we bought in 2007, further strengthened our position in Japan giving us a 5% share in candy. However, our strength in Japan is in gum, and we have a no. 2 position.

While New Zealand is a relatively small market, we are the leader in confectionery with a 41% market share. We sell both chocolate and candy in New Zealand.

### **Our operations**

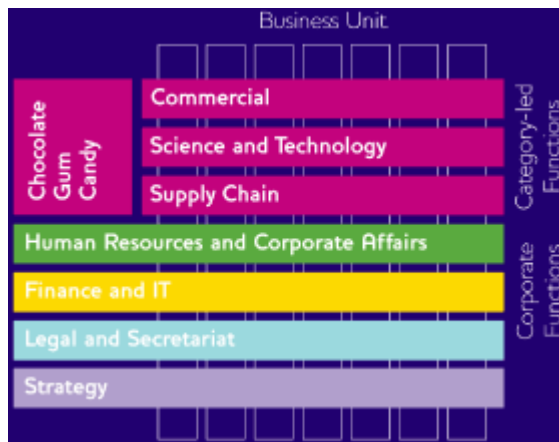
#### **Managing Cadbury**

With over 45,000 employees working across our businesses in over 60 countries, Cadbury is a large and complex organisation. In 2008, we took a major step in simplifying our organisation to improve the ways in which we work.

From 2003 to 2008 the confectionery business was led through a strong regional model to ensure our top-down strategy was consistently implemented around the world. In 2006, we introduced a strong category-led commercial organisation which has progressively been developing its role and impact since.

At the beginning of 2009, we eliminated the regional structure to operate as seven business units and leverage the strengthened category leadership across our markets.

#### **Our Simplified structure**



### **Management**

The Cadbury plc Board of Directors is responsible for the overall management and performance of the Company, and the approval of the long-term objectives and commercial strategy. A fuller explanation of the responsibilities of our Board members can be found in the Governance section which begins on page 63.

The Cadbury plc Board of Directors delegates overall operational management to the Chief Executive's Committee (CEC), which in turn delegates day to day management to the leaders of each business unit and function.

The CEC presently comprises the Chief Executive Officer, leaders of each business unit and function and category representatives. The CEC reports to the Board and is accountable for the management of the Company's operations and the implementation of strategy. The CEC is also responsible to the Board for driving high level performance of the growth, efficiency, capability and sustainability programmes as well as for resource allocation.

The CEC develops Cadbury's global business strategy, embracing major strategic commercial decisions, supply chain developments and other major operating issues arising in the normal course of business. This includes reviewing the business units' and functions' contracts, and performance relating to financial policy, targets, results and forecasts. It approves some capital and development expenditures according to authorities delegated by the Board, reports to the Board on the sources and uses of funds, cash position and capital structure, and reviews the structure and policy of the Group's borrowings. The CEC also evaluates foreign exchange, interest rate and other risk management policies and submits an annual risk management report to the Board. It also reviews proposed acquisitions and disposals, joint ventures and partnerships before submission to the Board, and reviews and approves legal and human resources matters.

#### **Our Global Functions and Categories**

In 2008, the Group was organised into six global functions, as well as the four confectionery regions and the two discontinued beverage businesses. As set out above, from 2009 onwards, we have made changes to this structure and there are now seven global functions.

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These changes do not alter the general responsibilities of the functions except for the strengthened categories which will have wider responsibility to develop commercial strategy and influence local execution.

From 2009, our chocolate, gum and candy teams will have greater responsibility for the commercial development of Cadbury

This matrix structure will enable the business units to focus on delivering the Group's commercial agenda and top-line growth, and allows the functions and categories to develop and drive global strategies and processes towards best in class performance, while remaining closely aligned to local commercial interests.

### **Our Supply Chain team**

Our Supply Chain function ensures the reliable supply of products, whether manufactured by the Group or by a third party. Supply Chain's role encompasses sourcing of ingredients and packaging materials, planning, manufacturing, distribution and customer services, as well as quality and safety of products, and employee safety. Supply Chain is responsible for managing the fixed assets of the Group's manufacturing facilities and warehouses.

### **Working with our suppliers**

We use a wide range of raw materials in manufacturing our confectionery products, the main ones being cocoa beans, sugar and other sweeteners (including polyols and artificial sweeteners such as aspartame), dairy products (including fresh milk), gumbase, fruit and nuts.

Our supplier base is diverse. Our sustainability review on page 24 sets out some of the initiatives we use to ensure ethical and sustainable sourcing, particularly through our Cadbury Cocoa Partnership. More details can be found online. In addition, our supply chain team develops individual strategies, audit programmes and development plans to help manage risk within our supply base.

### **Working for our consumers and customers**

Our products are impulse in nature and are sold to consumers through many different outlets — including grocery stores, kiosks, canteens and petrol stations. These outlets are typically our direct customers, or buy our products from wholesalers and distributors. In many markets, sales to large grocery multiples account for less than 50% of sales. No single customer accounts for more than 10% of our revenues. We are strengthening our consumer capabilities and customer partnerships, the benefits of which can be seen in our performance in 2008.

### **Our Commercial and Category team**

Our Commercial function, including the three category teams of chocolate, gum and candy, helps facilitate higher revenue growth from the business units than they could otherwise achieve on a stand-alone basis, and to achieve this more efficiently, by leveraging the skills and experiences of the wider global team. Commercial defines our category and portfolio strategy; ensures the Group has best-in-class commercial capabilities; partners with other functions such as Science & Technology and Supply Chain in creating innovation; and co-ordinates brand management, consumer insights and global customer strategy.

### **Our Science and Technology team**

The Science & Technology team sets and communicates global technical priorities, establishes and co-ordinates the science agenda and facilitates global knowledge management and best-practice transfer. It prioritises and funds technology developments which underpin our innovation agenda, including longer-term globally applicable development programmes. It also co-ordinates nutrition initiatives as a key element of the Group's food policy and, together with Group Legal, creates a strategy for the Group's intellectual property assets.

### **Our Human Resources and Corporate Affairs teams**

The role of the Human Resources function is to improve performance by enhancing the effectiveness of day-to-day working practices, strengthening our people capabilities and developing the quality of their output. Human Resources supports the business in delivering

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its goals by putting in place the right people for the right job: by helping develop and support the most effective organisational strategies and structures; and by attracting, retaining and developing employees and rewarding the right behaviours and performance. A widely communicated People Strategy sets out our approach to developing people within Cadbury. Our Corporate Affairs activities include Corporate Communications, Public Affairs and CSR.

### **Our Finance and IT team**

Finance and IT are focused on developing a strong business partnership with the commercial operators in the Group, while maintaining a robust financial control environment. The function sets low cost, IT-enabled common internal processes and standards for financial reporting and control, and ensures high quality external reporting which complies with all applicable laws and regulations. It is responsible for setting the Group's annual contracts (or budgets). It is also responsible for managing financial communications and the Group's relationship with the investment community.

### **Our Legal and Secretariat team**

Legal and Secretariat partners and supports the business units and other functions by taking responsibility for a broad range of legal and secretarial activities. These include: corporate governance matters; compliance with US and UK securities regulation and legislation; effective management of the Group intellectual property portfolio; mergers and acquisitions; litigation management; general contract work and incident management.

### **Our Strategy team**

The team focuses on the effective development, approval and communication of a clear strategy to deliver growth and efficiency as set out in our Performance Scorecard, and ensures that our strategy is supported by appropriate capabilities. The Strategy team also supports the CEC in making resource allocation choices that are aligned with our priorities. Potential acquisitions and disposals across the Group are managed by the team.

### **Our People**

Our success depends on the 45,000 skilled, motivated people around the world who create the brands our customers and consumers love. We have a responsibility to provide our employees with a workplace that is safe, fair, respectful, diverse and challenging — one where they can excel.

We are also a highly competitive company, determined to create a strong future for ourselves and our shareholders. Being a responsible employer is critical to being a successful, sustainable business. Nurturing and rewarding colleagues is one of the pillars of sustainability in our VIA plan.

### **Global standards govern our behaviour**

To underpin our performance driven and values led culture, we have established global standards which govern areas including resourcing, diversity, talent management, reward, learning and development, and organisational changes that may impact people and their jobs, including redundancies. Open and honest communication with colleagues and their representatives is critical to the effective implementation of these standards.

83% of employees surveyed said they were proud to work for Cadbury

More details can be found in our online Corporate Social Responsibility report [www.dearcadbury.com](http://www.dearcadbury.com).

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### Production assets

As of 31 December 2008 the Group had a total of 67 manufacturing plants (excluding Australia Beverages). There are no encumbrances or environmental issues that we expect will materially affect our utilisation of our properties.

	Confectionery
BIMA	21
Europe	18
Americas	8
Asia Pacific	20
<b>Total</b>	<b>67</b>

The Group owns all of the above facilities.

All the facilities are considered to be in a suitable condition, adequate for their purpose and properly utilised according to the individual nature and requirements of the relevant operations. We have a continuing programme of improving and replacing property when appropriate, to meet the needs of the individual operations.

### Material properties

The table on this page details our material properties, representing those sites with the most significant unmitigated loss exposures. All are manufacturing facilities and are owned by the Group except where indicated. These properties have a capacity utilisation in the range of 33-100%.

Location	Principal products	Area in '000 sq ft	Production capacity in '000 tonnes
Bauru, Brazil	Candy and Gum	290	65
Bertrand Avenue, Canada	Candy	189	27
Bournville, UK (part leasehold)	Chocolate	1,766	140
Cali, Colombia	Candy and Gum	178	72
Chirk, UK	Confectionery feedstocks	261	53
Claremont, Australia	Chocolate	300	64
Coolock, Ireland	Chocolate	544	45
Gebze-Kocaeli, Turkey	Gum	1,012	74
Puebla, Mexico	Gum	419	101
Ringwood, Australia	Chocolate	309	52
Rockford, ILL., US	Gum	536	75
Sheffield, UK	Candy	503	53
Skarbimierz, Poland	Gum	200	18
Somerdale, UK	Chocolate	194	91
Tallaght, Ireland	Gum	67	18

### Capital Expenditure

See Item 5 “Operating and Financial Review and Prospects” for a description of our capital expenditure.

### Marketing, Food, Consumer Trends

#### Being treatwise

We know everyone has their own approach to enjoying confectionery as part of a balanced lifestyle. Understanding what people are looking for means that we are able to create products and provide information to better fulfil those needs.

We have a 12 Point Action Plan responding to consumer health concerns. This includes:

- Global Marketing Code of Practice
- Increased product choice, including smaller formats, organic, natural, and reduced sugar and/or fat
- Improved nutritional labelling including Guideline Daily Amounts (GDAs)
- Encouraging responsible consumption via our 'Be treatwise' initiative
- Global Director of Nutrition
- External Global Nutrition Advisory Panel to provide impartial, expert advice
- 30+ associated policies and statements

### **Environment, Health and Safety (EHS)**

We recognise our responsibility to help preserve the future of our planet while continuing to create sustainable value for the business. We are determined to reduce the carbon intensity of our global operations and use energy more efficiently as a key part of our commitment to sustainable growth and to help combat climate change. Therefore in June 2007 we launched Purple Goes Green, our environmental strategy which has received much praise and aims to minimise the use of energy, packaging and water through adopting absolute rather than relative targets.

We have in place an integrated EHS policy and standards based on both ISO14001 and OHSAS 18001. Our EHS policy and standards deal with environmental issues related to the manufacturing of our products, water, energy packaging and protection of the eco-systems from which we source raw materials, the management of our supply chain and the distribution, sale and consumption of our products.

All our manufacturing sites are audited on a rotational basis by our Group EHS Assurance Department and areas of improvement are identified. Some sites are externally audited and certified to ISO14001 or OHSAS18001.

Our EHS policies, goals and performance are described in detail in our Corporate and Social Responsibility Report 2008.

Protecting the health and safety of employees is fundamental to our Business Principles. We have a Quality Environment Health & Safety Committee, chaired by our President of Global Supply Chain. This group consists of board level representation and senior leadership from different functions to drive our agenda in this area. The remit of the committee includes quality and food safety. We are implementing additional programmes to strengthen performance.



### **Our sustainability commitments**

Six sustainability commitments underpin our VIA. They have been specifically chosen because they both improve our business performance and our impact on the wider world. Our Board CSR committee, chaired by Lord Patten, oversees our plans to deliver these commitments.

<u>Sustainability Commitments</u>	<u>2008 Results and Comments</u>
1 Promote responsible consumption	<ul style="list-style-type: none"><li>▪ 95% of our products labelled with nutritional information</li><li>▪ 55% of our 'treat' products labelled with additional 'responsible consumption' messages</li><li>▪ Global review of our progress on Wellbeing options initiated</li></ul>
2 Ensure ethical and sustainable sourcing	<ul style="list-style-type: none"><li>▪ Cadbury Cocoa Partnership celebrates its first anniversary with 100 communities joining. Cadbury plc celebrates 100 years of cocoa trading in Ghana</li><li>▪ Sustainable agriculture assessment tool implemented with good progress on sugar, mint and palm oil</li><li>▪ Supplier engagement progressing through common industry engagement and self-assessment tool Supplier Ethical Data Exchange (SEDEX)</li></ul>
3 Prioritise quality and safety	<ul style="list-style-type: none"><li>▪ Behavioural programme pilots are being rolled out in all business units to strengthen safety leadership behaviours and our safety culture</li><li>▪ Excellent progress on Lost Time Injury Frequency Rate (LTIFR) with the Group obtaining the lowest rate in its history</li><li>▪ Strengthened incident prevention and investigation strategy</li></ul>
4 Reduce carbon, water use and packaging	<ul style="list-style-type: none"><li>▪ 10% reduction in absolute carbon emissions expected by 2011 with a target of 50% by 2020</li><li>▪ 17% reduction in water use since 2006 with 33 sites now with reduction programmes in place</li><li>▪ 200+ Green Advocates in over 35 countries driving the green agenda</li></ul>
5 Nurture and reward colleagues	<ul style="list-style-type: none"><li>▪ 83% of colleagues believe Cadbury is "a great place to work"</li><li>▪ Consistently aim to achieve above 75% in our Employee Climate Survey results with 2008 colleague commitment score of 3.35 and engagement score of 3.08 (out of 4)</li><li>▪ 19% of executive management are female</li></ul>
6 Invest in communities	<ul style="list-style-type: none"><li>▪ 2.3% of pre-tax profit invested in community causes</li><li>▪ Global commitment to enable colleague volunteering</li><li>▪ Flagship initiatives to address the Millennium Development Goals including: Sarvam, Trident Smiles, Africa Aid, and our HIV/AIDS programme</li></ul>

### **Cadbury Cocoa Partnership**

Sustainable cocoa production is vital to Cadbury's success. Without cocoa there would be no chocolate. Over the next 10 years we are investing around £45m — guaranteeing a reliable, long-term source of the right quality cocoa, and the right quality of life for those who grow it. The Cadbury Cocoa Partnership is a groundbreaking initiative to support sustainable cocoa growing in Ghana, India, Indonesia and the Caribbean by:

- Improving cocoa farmer incomes
- Introducing new sources of rural income
- Investing in community led development
- Working in partnership — grass roots up

We invested £1m in 2008 as a seed fund to establish the programme with annual funding levels planned to rise to £5m from 2010.

## Group Companies

Cadbury plc is a holding company that operates through its subsidiaries and associated undertakings, which are set forth below.

	Activities	Country of incorporation and operation	Proportion of issued share capital held if not 100%
<b>Details of principal associated undertakings</b>			
Camelot Group plc	(c)	Great Britain (ii)	20%
Crystal Candy (Private) Ltd	(a)	Zimbabwe (i)	49%
Meito Adams Company Ltd	(c)	Japan	50%
Xtrapack Ltd	(c)	Great Britain (ii)	30%
<b>Details of principal subsidiary undertakings</b>			
Operating companies (unless otherwise stated)			
<b>United Kingdom:</b>			
Cadbury UK (an unincorporated partnership operating in Great Britain between Cadbury UK Ltd, Trebor Bassett Ltd and the Old Leo Company Ltd)	(a)	n/a	
<b>Europe:</b>			
Cadbury España, SL	(a)	Spain	
Cadbury France	(a)	France	
Cadbury Hellas AE	(a)	Greece	
Cadbury Ireland Ltd	(a)	Ireland	
Cadbury Portugal — Produtos de Conféitaria, Lda	(a)	Portugal	
Cadbury Switzerland Faguet & Co	(a)	Switzerland	
Cadbury Wedel Sp. zo.o.	(a)	Poland	
Dandy A/S	(a)	Denmark	
Dirol Cadbury LLC	(a)	Russia	
Integum Gida Sanayi ve Ticaret Anonim Sirketi	(a)	Turkey	
Kent Gida Maddeleri Sanayii ve Ticaret Anonim Sirketi	(a)	Turkey (ii)	95.36%
<b>Americas:</b>			
Cadbury Adams Brasil Industria e Comercio de Produtos Alimenticios Ltda	(a)	Brazil	
Cadbury Adams Canada Inc	(a)	Canada	
Cadbury Adams Distribution Mexico, SA de CV	(a)	Mexico	
Cadbury Adams Mexico, S de RL de CV	(a)	Mexico	
Cadbury Adams, SA	(a)	Venezuela	
Cadbury Adams USA LLC	(a)	US (i)	
Cadbury Stani Adams Argentina SA	(a)	Argentina (ii)	
Cadbury Adams Colombia SA	(a)	Colombia	
<b>Other overseas:</b>			
Cadbury Adams Thailand	(a)	Thailand	
Cadbury Confectionery Ltd	(a)	New Zealand	
Cadbury Enterprises Pte Ltd	(a)	Singapore	
Cadbury India Ltd	(a)	India	97.61%
Cadbury Japan Ltd	(a)	Japan	
Cadbury Nigeria plc	(a)	Nigeria	50.02%
Cadbury Schweppes Pty Ltd	(a)(b)	Australia	
Cadbury South Africa (Pty) Ltd	(a)	South Africa	
<b>Finance and holding companies:</b>			
Alford Ltd	(c)	Ireland	
Berkeley Re Ltd	(c)	Ireland	
Cadbury Holdings Ltd*	(c)	Great Britain	
Cadbury Schweppes Asia Pacific Pte Ltd	(c)	Singapore	
Cadbury Schweppes Finance plc	(c)	Great Britain	
Cadbury Netherlands International Holdings B.V.	(c)	Netherlands (i)	
Cadbury Schweppes Investments plc	(c)	Great Britain	
Cadbury Schweppes Overseas Ltd	(c)	Great Britain	
Cadbury Schweppes Treasury Services	(c)	Ireland (i)	

\* Investment directly held by Cadbury plc

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Advantage has been taken of Section 231(5) of the Companies Act 1985 to list only those undertakings as are required to be mentioned in that provision, as an exhaustive list would involve a statement of excessive length.

The nature of the activities of the individual companies is designated as follows:

- (a) Confectionery
- (b) Beverages
- (c) Other (including holding companies)

The percentage voting right for each principal subsidiary is the same as the percentage of ordinary shares held.

Issued share capital represents only ordinary shares or their equivalent except for companies marked (i) where there are also preference shares or (ii) where there are both A and B classes of ordinary shares.

### **ITEM 4A: UNRESOLVED STAFF COMMENTS**

There are no unresolved comments from the SEC staff regarding the Company's periodic reports under the Securities Exchange Act of 1934.

## ITEM 5: OPERATING AND FINANCIAL REVIEW AND PROSPECTS

### Explanation of performance analysis

On 7 May 2008, the Group completed the demerger of the Americas Beverages business and in December 2008 announced the conditional sale of the Australia Beverages business. As described in note 38 of Item 18, on 12 March 2009 the Group entered into a definitive sale and purchase agreement for the sale of Australia Beverages. Both of these businesses are classified as discontinued and the Income Statement and related notes for 2007 and 2006 have been re-presented, in accordance with IFRS 5, “Non current assets held for sale and discontinued operations”. IFRS requires that the results of these businesses be excluded from revenue, profit from operations, financing and taxation and the after-tax result be shown as a single line item on the face of the Income Statement below taxation, with a corresponding re-presentation of the prior periods. Hence, in the analysis that follows all references to revenue growth, profit from operations growth and profit from operations growth excludes the results of the Americas and Australia Beverages businesses. A separate discussion of the Discontinued operations is presented on page 31.

IFRS requires that the cash flow statement reflects the cash flows of the Group, including discontinued operations, and hence all cash flow analysis, including references to Free Cash Flow (as defined on page 50) include the cash flows relating to the Americas and Australia Beverages businesses.

From 2008, certain confectionery costs in respect of global Supply Chain, Commercial and Science & Technology which support the business operations, previously included in central costs, have been allocated to the regions with prior periods re-presented on a comparable basis.

The review below starts with an overview of the Group that analyses revenue and profit from operations, including the impact of exchange rates, and acquisitions and disposals in 2008, 2007 and 2006. As part of the review there is an analysis of marketing, restructuring costs, amortisation and impairment of acquisition intangibles, non-trading items, certain other items, IAS 39 adjustment, share of result in associates, financing, taxation, discontinued operations, minority interests, dividends and earnings per share.

Following the total Group summary, there is a review of each of the business segments which are BIMA, Europe, Americas and Asia Pacific. Each segment reviews revenue, underlying profit from operations and restructuring costs. Underlying profit from operations refers to each segment’s profit from operations before restructuring costs, non-trading items, amortisation and impairment of acquisition intangibles and IAS 39 adjustment. This is the measure of profit or loss for each reportable segment used by the CEC and segment management. A reconciliation of each segment’s underlying profit from operations to profit from operations is provided in the segmental reporting on pages F-7 — F-9.

The meanings of certain terms used in this operating and financial review are as follows:

References to **re-presented** information refer to the re-presentation of the 2007 and 2006 information to classify the Americas Beverages and Australia Beverages businesses as discontinued, in accordance with IFRS 5, and the re-presentation of segments for the recharge of central costs to the regional operating segments in accordance with IFRS 8.

References to **constant currency** or **constant exchange rates** refer to the method we use to analyse the effect on our results attributable to changes in exchange rates by recomputing the current year result using the prior year exchange rates and presenting the difference as exchange movements.

References to **acquisitions and disposals** refer to the first 12 months’ impact of acquisitions and the last 12 months’ impact of disposals. This impact is referred to as growth from acquisitions and disposals. Once an acquisition has lapped its acquisition date it is included within the base business results as there is a comparative period in the prior year results to compare the performance to. Acquisitions and disposals are excluded from the base business results as this provides comparisons of base business performance for users of the accounts.

References to **business improvement costs** refer to costs incurred within underlying profit from operations in 2008 and 2007 which are restructuring in nature but are part of an ongoing maintenance of an efficient business. There were no business improvement costs in 2006 as all restructuring was incurred as part of the Fuel for Growth programme.

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References to **base business growth** refer to changes in revenue, underlying profit from operations, underlying earnings per share and other financial measures from year to year not attributable to exchange rate movements, acquisitions and disposals and business improvement costs.

We believe that removing the effect of exchange rates, acquisitions and disposals and business improvement costs provides shareholders with a meaningful comparison of year on year performance of the base business. A reconciliation of the reported results is included on pages F-7 to F-9.

### **Sources of revenue and trading costs**

Revenue is principally generated from the sale of branded chocolate, gum and candy confectionery products.

Direct trading costs consisted mainly of raw materials, which for confectionery products are cocoa, milk, sugar and sweeteners, various types of nuts and fruit, and packaging. The other major direct cost is labour. Indirect operating costs include marketing, distribution, indirect labour, warehousing, sales force, innovation, IT and administrative costs.

Cash receipts and payments are generally received and made in line with the related income statement recognition. The main exceptions to this are:

> Mark-to-market gains and losses on financial derivatives. The main financial derivatives we employ are cocoa futures, interest rate swaps and currency forwards. At each balance sheet date the fair value of all open financial derivatives are determined and recorded on the balance sheet. Where hedge accounting is not available this results in the immediate recognition within the income statement of the movements in the fair value. The associated cash flow occurs when the financial derivative contract matures.

> Depreciation charges of fixed assets. Cash is utilised when the capital expenditure is made, and the depreciation is charged to the income statement to match utilisation of the asset.

> Restructuring charges relating to onerous contracts and redundancy provisions are required to be recognised when the Group has a constructive obligation and, in the case of redundancy costs, the Group has communicated the planned restructuring initiatives. The associated cash flows occur when the liability is required to be settled.

**OPERATING REVIEW 2008 COMPARED TO 2007**

**Group**

	Re-presented 2007 £m	Base business growth £m	Acquisitions/ Disposals £m	Exchange effects £m	2008 £m
<b>Analysis of results</b>					
<b>Revenue</b>	<b>4,699</b>	324	(34)	395	<b>5,384</b>
<b>Profit from operations</b>	<b>278</b>	56	(3)	57	<b>388</b>
<b>Profit before tax</b>	<b>254</b>				<b>400</b>
<b>Discontinued operations</b>	<b>258</b>				<b>(4)</b>
<b>Basic EPS — continuing</b>	<b>7.0p</b>				<b>22.8p</b>
<b>Basic EPS — continuing and discontinued</b>	<b>19.4p</b>				<b>22.6p</b>
<b>Dividend per share</b>	<b>15.5p</b>				<b>16.4p</b>

The key highlights of 2008 were as follows:

- > Reported revenue growth for the period was 15% as a result of the impact of exchange rate movements and base business performance. Base business revenue growth of 7% was ahead of our 4%—6% goal range. Overall, acquisitions net of disposals had a modest negative impact in the year.
- > Growth was balanced across our three categories with our chocolate revenue up 6%, gum up 10% and candy revenue up 6%.
- > Operating margins increased by 130bps.
- > We have made good progress delivering some of the early benefits of our Vision into Action strategy, achieving all of our 2008 performance objectives and starting to implement many of the programmes that will deliver significant returns from 2010 onwards.

**1 Review of 2008 Group income statement**

**(i) Revenue**

Revenue at £5,384 million was £685 million or 15% higher than 2007 revenue of £4,699 million. The net effect of exchange movements during the year was to increase reported revenue by £395 million, mainly driven by a strengthening in the US Dollar and the Euro.

In 2008, acquisitions, net of disposals, resulted in a £34 million decrease in reported revenue relative to the prior year. This was principally due to the disposal of Monkhill in January 2008.

Base business revenue grew £324 million or 7% with growth in all four of our business segments.

**(ii) Profit from operations**

Profit from operations increased by £110 million, or 40%, to £388 million compared to 2007, due to a favourable foreign exchange impact of £57 million (21%) and base business growth of £56 million.

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As a result of the increase in profit from operations noted above, operating margin increased by 130 basis points to 7.2%.

### Marketing

Marketing spend was £584 million in 2008, a 20% increase at actual exchange rates and a 10% increase at constant exchange rates. Marketing spend as a percentage of revenues was 11% compared with 10% in the prior year.

### The Vision into Action programme

In mid-2007, the Group announced that part of its confectionery strategy is to achieve mid-teen margins by 2011. In pursuit of this goal the Group implemented a major group-wide cost reduction programme to significantly reduce the central and regional SG&A and supply chain costs. Consequently, over the 2007 to 2011 period, around 15% of our manufacturing sites around the world are expected to be closed and it is anticipated that headcount will also be significantly reduced as a result.

### Restructuring costs

Costs in respect of business restructuring were £194 million compared with £165 million last year. In 2008, as in 2007, the restructuring costs continue to principally relate to the Vision into Action programme. In addition, amounts were recognised relating to a third party supply agreement which has become an onerous contract and costs incurred to separate and establish a stand alone confectionery business following the demerger of the Americas Beverages business.

	2008 £m	Re-presented 2007 £m
Vision into Action	142	151
Onerous contract and penalties — Gumlink	27	9
Separation costs	16	5
Acquisition integration costs	9	—
<b>Restructuring costs</b>	<b>194</b>	<b>165</b>

Of the total 2008 charge of £194 million, £82 million was redundancy related, £13 million related to external consulting costs and £45 million was associated with onerous contracts. The remaining costs consisted of asset write-offs, site closure costs, relocation costs and distribution contract termination payments. A further £9 million (2007: £nil) has been incurred relating to integration costs associated with businesses acquired in 2007.

### Business segment analysis

More detailed information on the restructuring activities in each business segment is provided in the business segments performance section from pages 35 to 38. The table below details the business segment analysis of restructuring costs.

	2008 £m	Re-presented 2007 £m
<b>Business segment analysis</b>		
BIMA	21	60
Europe	63	18
Americas	18	33
Asia Pacific	32	8
Central	60	46
<b>Restructuring costs</b>	<b>194</b>	<b>165</b>

### Amortisation and impairment of acquisition intangibles

Amortisation and impairment of acquisition intangibles at £4 million was £14 million lower than in 2007. The decrease principally relates to an impairment of £13 million to the goodwill relating to China that was recognised in 2007.

### Non-trading items

During 2008, the Group recorded a net profit from non-trading items of £1 million compared to a net profit of £2 million in 2007.



## **IAS 39 adjustment**

Fair value accounting under IAS 39 resulted in a charge of £53 million (2007: £14 million charge). This principally reflects the fact that in 2008 spot commodity prices and exchange rates were higher than the rates implicit in the Group's hedging arrangements as reflected in the underlying results.

### **(iii) Share of result in associates**

In 2008, our share of the result of our associate businesses (net of interest and tax) was a profit of £10 million. This compares to a profit in 2007 of £8 million.

### **(iv) Financing**

In 2008, the Group has net financing income of £2 million compared to a net finance charge of £32 million in 2007. Investment revenue in 2008 of £52 million was comparable with 2007 which was £56 million. In 2008 financing costs were £50 million (2007: £88 million), reflecting the combined effects of a net gain from fair value movements on commodity, interest rate and currency derivatives of £94 million (2007: £19 million) and interest on bank and other loans and commercial paper of £141 million (2007: £107 million). In addition, in 2008 a charge of £3 million was recognised relating to the unwinding of a discount on restructuring provisions. The increase in interest on bank and other loans and commercial paper during the year was mainly due to the increasing rates of interest that Cadbury paid on its debt and an increase in average net debt (adjusted to reflect the debt demerged with the Americas Beverages business). During the year the difference between central bank base rates and the rates paid by BBB rated corporates grew significantly as a result of volatility in financial markets. Further, the sterling value of interest Cadbury pays on debt held in non sterling currencies increased as sterling weakened against a basket of currencies.

Interest cover increased from 4.7 in 2007 to 15.9 in 2008. This was driven by increased profits from operations and the impact of the fair value movements on commodity, interest rate and currency hedging derivatives.

### **(v) Profit before and after taxation**

Profit before tax increased by 57% to £400 million reflecting increased trading results, the increase in net gain from IAS 39 adjustments and the impact of exchange rates partially offset by increased restructuring.

The effective tax rate in 2008 was 7.5% compared with 41.3% in 2007. The decrease is primarily due to tax credits on certain re-organisations carried out in preparation for the demerger of the Americas Beverages business.

Profit after tax increased to £370 million compared with £149 million in 2007.

### **(vi) Discontinued operations: Americas and Australia Beverages**

#### **Americas Beverages**

On May 7 2008 the Group completed the demerger of the Americas Beverages business.

Through to completion of the demerger, Americas Beverages generated an operating profit in 2008 of £146 million. The operating profit for the full year in 2007 was £526 million.

The loss for the period after tax of £60 million is after demerger costs of £127 million. In 2007 the business generated a net profit of £241 million which included a full year's trading of the Americas Beverages business, offset by costs incurred in 2007 relating to the separation of this business.

#### **Australia Beverages**

In December 2008 the Group announced the conditional sale of the Australia Beverages business. As described in note 38 of Item 18, on 12 March 2009 the group entered into a definitive sale and purchase agreement for the sale of Australia Beverages.

In 2008 the Australia Beverages business generated an operating profit of £27 million. The operating profit for the full year in 2007 was £24 million. The group recognised a £46 million tax gain relating to the planned disposal and the net profit for the year was £56 million (2007: £17 million).

**(vii) Minority interests**

In 2008, the Group companies in which we do not own 100% contributed an aggregate profit to the Group. The minority interests share of these profits was £2 million (2007: £2 million).

**(viii) Dividends**

The Board has proposed a final dividend per share of 11.1 pence, up from 10.5 pence in 2007, an increase of 6%. Including the interim dividend of 5.3 pence, the total dividend for 2008 is 16.4 pence, a 6% increase on the 15.5 pence dividend in 2007.

The dividend cover increased to 1.63 times from 1.24 times in 2007 principally reflecting the reduced number of shares as a result of the Scheme of Arrangement to replace Cadbury Schweppes plc with Cadbury plc.

**(ix) Earnings per share**

Continuing and discontinued earnings per share were 22.6 pence, up 3.2 pence or 16% on 2007 as a result of the increase in continuing earnings, currency movements and the reduction in number of shares, partially offset by the significantly lower net gain on discontinued operations compared to 2007.

Continuing earnings per share were 22.8 pence, an increase of 15.8 pence from 2007. This was principally driven by a 150% increase in profit for the year to £368 million (2007: £147 million) and a 23% reduction in the average number of shares as a result of the Scheme of Arrangement in May 2008 to replace Cadbury Schweppes plc with Cadbury plc.

**(x) Effect of exchange rates and inflation on 2008 reported results**

Over 75% of the group's revenues and profits in 2008 were generated outside the United Kingdom. The Group's reported results have been affected by changes in the exchange rates used to translate the results of non-UK operations. In 2008, compared with 2007, the largest exchange rate impact on the Group's results was the strengthening in the US Dollar and the Euro.

In 2008, movements in exchange rates increased the Group's revenue by 9%, pre-tax profit by 20% and continuing earnings per share by 29%.

General price inflation in countries where the Group has its most significant operations remained at a low level throughout the year and in general terms was within the 3% to 5% range. In certain developing markets, notably Venezuela, Turkey, Brazil, Russia, Nigeria and Argentina, the rate of inflation was significantly higher than this range, but the impact was not material to the Group results.

**2. 2008 compared to 2007 — Business Segments Performance**

**Information used by management to make decisions**

Regular monthly management accounts and periodic reforecasts are produced for review by the CEC. These accounts are used by the CEC to make decisions and assess business performance.

The key performance measures, which are monitored on a Group wide and regional basis by the CEC, are:

- > Revenue;
- > Underlying profit from operations (before and after Business Improvement Costs);
- > Restructuring Costs;
- > Underlying operating margins;
- > Working Capital;
- > Free Cash Flow and Net Debt;
- > Net cash from operating activities (a key component of Free Cash Flow);
- > Return on Invested Capital; and
- > Underlying Earnings per Share.

**Explanation of management performance measures**

Included within the above performance metrics are a number of management performance measurements, namely underlying profit from operations, underlying operating margins and Free Cash Flow.

### **Underlying earnings measures**

A segmental analysis of underlying profit from operations is presented alongside profit from operations on pages F-7 to F-9 of the audited financial statements as well as a segment-by-segment reconciliation from underlying profit from operations to the corresponding IFRS measure which is profit from operations. We calculate underlying profit from operations by adjusting profit from operations to exclude the effects of the following:

- > Restructuring costs;
- > Amortisation and impairment of acquisition intangibles;
- > Non-trading items;
- > IAS 39 adjustment; and
- > Certain other items which do not reflect the Group's trading performance; and
- > The tax impacts of certain intra-group transfers and of the above.

Underlying operating margins are calculated by dividing underlying profit from operations by revenue and expressing the result as a percentage.

In addition, as permitted under IAS 33 "Earnings per Share", we present underlying earnings per share, along with a reconciliation to earnings per share in Note 13 to the audited financial statements. We calculate underlying earnings per share by adjusting basic earnings per share to exclude the effects of the following:

- > Restructuring costs;
- > Non-trading items;
- > Amortisation and impairment of intangibles;
- > IAS 39 adjustment;
- > Certain other items which do not reflect the Group's trading performance; and
- > The tax impacts of certain intra-group transfers and of the above.

The reconciling items between reported and underlying performance measures are discussed in further detail below.

### **Restructuring costs**

The costs incurred in implementing significant business reorganisation projects, such as our confectionery Vision into Action programme, the efficiency programme in pursuit of mid-teen margins and integrating acquisitions, are classified as restructuring. In addition, the onerous contract and associated penalties which have arisen from the strategic decision to decrease our gum supply from a third party manufacturer, Gumlink A/S, and move production to a new green-field site in Poland, is included as restructuring.

Also included as restructuring are the costs incurred in establishing a stand-alone confectionery company.

We view these costs as costs associated with investments in the future performance of the business and not part of the underlying performance trends of the business. Hence these restructuring costs are separately disclosed in arriving at profit from operations on the face of the income statement.

The Group also incurs costs relating to the maintenance of an efficient business. These costs are termed 'Business Improvement Costs' and are included within the underlying results of the business as, although the impact on segmental profits may vary year on year, they are expected to be incurred at similar levels each year on a consolidated basis and hence will not distort the performance trends of the business.

### **Amortisation and impairment of acquisition intangibles**

Our revenue is driven by the performance of our brands, other acquisition intangibles and goodwill, some of which are internally generated (e.g. the Cadbury brand) and some of which have been acquired (e.g. the Adams brands). Certain of the acquired brands and other acquisition intangibles are assigned a finite life and result in an amortisation charge being recorded in arriving at profit from operations. There are no similar charges associated with our internally generated brands and other intangible assets. In addition, from time to time, the Group may be required to recognise impairments of intangibles and goodwill. No similar charges can occur from our organically grown businesses. We believe that excluding acquisition intangible amortisation and goodwill impairment from our measure of operating performance allows the operating performance of the businesses that were organically grown and those that have resulted from acquisitions to be analysed on a more comparable basis.

**Non-trading items**

Our business is the marketing, production and distribution of branded confectionery products. As part of our operations we may dispose of subsidiaries, associates, brands, investments and significant fixed assets that do not meet the requirements to be separately disclosed outside of continuing operations. These discrete activities form part of our operating activities and are reported in arriving at profit from operations. However, we do not consider these items to be part of our trading activities. The gains and losses on these discrete items can be significant and can give rise to gains or losses in different reporting periods. Costs incurred from the disposals of operations which will meet the criteria to be disclosed as a discontinued operation are also separately identified due to their significance and discrete nature. Consequently, these non-trading items can have a significant impact on the absolute amount of, and trend in, profit from operations and operating margins and are not included in the underlying performance trends of the business.

**IAS 39 adjustment**

We seek to apply IAS 39 hedge accounting to hedge relationships (principally under commodity contracts, foreign exchange forward contracts and interest rate swaps) where it is permissible, practical to do so and reduces overall volatility. Due to the nature of our hedging arrangements, in a number of circumstances we are unable to obtain hedge accounting. We continue, however, to enter into these arrangements as they provide certainty of price and delivery for the commodities we purchase, the exchange rates applying to the foreign currency transactions we enter into and the interest rates that apply to our debt. These arrangements result in fixed and determined cash flows. We believe that these arrangements remain effective economic and commercial hedges.

The effect of not applying hedge accounting under IAS 39 means that the reported results reflect the actual rate of exchange and commodity price ruling on the date of a transaction regardless of the cash flow paid at the predetermined interest rate, rate of exchange or commodity price. In addition, the movement in the fair value of open contracts in the period is recognised in the financing charge for the period. While the impacts described above could be highly volatile depending on movements in exchange rates, interest rates or commodity prices, this volatility will not be reflected in our cash flows, which will be based on the fixed or hedged rate. The volatility introduced as a result of hedge accounting under IAS 39 has been excluded from our underlying performance measures to reflect the cash flows that occur under the Group's hedging arrangements.

**Certain other items which do not reflect the Group's trading performance**

From time to time events occur which due to their size or nature are considered separately when discussing the trading performance of the Group. The gains and losses on these discrete items can have a material impact on the absolute amount of, and trend in, the profit from operations and results for the year. Therefore any gains and losses on such items are analysed outside the underlying results to enable the trends in the underlying performance of the business to be understood. Where items are excluded from the underlying results we provide additional information on these items to enable a full understanding of the events and their financial impact.

There were no such items recognised in the continuing group in 2007 and 2008.

**Reported in continuing operations:**

- > UK product recall – in 2006, the incremental direct costs (net of directly attributable insurance recoveries) incurred in recalling seven Cadbury branded product lines in the UK and two in Ireland have been excluded from the underlying results of the Group. The impact on trading following the recall is included in underlying results.
- > Nigeria – in 2006, the Group's share of Cadbury Nigeria's adjustments to reverse the historical over-statement of financial results has been excluded from the underlying equity accounted share of result in associates on the grounds that these adjustments had accumulated over a period of years and were a consequence of deliberate financial irregularities. The charge is not considered to represent the underlying trading performance of the business.

**Reported in discontinued operations:**

- > Demerger and disposal costs – in 2008 and 2007, the Group incurred demerger costs associated with the demerger of the Americas Beverages business of £98 million (2007: £40 million) and disposal costs relating to the planned disposal of Australia Beverages of £6 million (2007: £nil).
- > Gain on contract termination – in 2007, the Group received £45 million amounts in respect of the termination in November of a distribution agreement for Glacéau in the US. The net gain of £31 million which would otherwise have been received through distribution of the product in 2008 is considered to be one-off and excluded from the underlying results.
- > Release of disposal tax provisions – in 2006, we reached agreement with the UK tax authorities as to the tax due in connection with the disposal in 1997 of Coca-Cola & Schweppes Beverages, a UK bottling business, and the disposal in 1999 of the Group's beverage brands in 160 countries. This has resulted in the release of unutilised provisions totalling £51 million within discontinued operations. The original disposal gains, net of tax, were treated as discontinued operations and excluded from the underlying results in the relevant years. Consistent with the original treatment, the release of the unutilised provisions has been excluded from the underlying earnings of the Group.

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In order to provide comparable earnings information the tax impact (where applicable) of the above items is also excluded in arriving at underlying earnings. In addition, from time to time the Group may undertake reorganisations in preparation for a disposal or make intra-group transfers of the legal ownership of brands and other intangible assets. These transfers may give rise to tax gains or losses which are excluded from the underlying results.

For the reasons stated above, underlying profit from operations, underlying operating margins, underlying earnings and underlying earnings per share are used by the Group for internal performance analysis. They are the primary information seen and used in any decision making process by the CEC. The Group also uses underlying profit from operations as a key component of its primary incentive compensation plans including the Annual Incentive Plan, the bonus scheme for employees of the Group.

Underlying profit from operations, underlying earnings and underlying earnings per share exclude certain costs, some of which affect the cash generation of the Group. Assessing and managing our performance on these measures alone might result in the concentration of greater effort on the control of those costs that are included in the underlying performance measures. In order to mitigate this risk, we also manage the business for cash flow and report this externally. The costs of restructuring projects are deducted in arriving at the cash flow measures we use and hence the careful monitoring of these costs is ensured.

The CEC does not primarily review or analyse financial information on a GAAP basis for profit from operations, earnings or earnings per share. The CEC bases its performance analysis, decision making and employee incentive programmes based on underlying profit from operations, underlying earnings and underlying earnings per share. For these reasons, and the other reasons noted above, we believe that these measures provide additional information on our underlying performance trends to investors, prospective investors and investment analysts that should be provided alongside the equivalent GAAP measures.

### Britain, Ireland, Middle East and Africa (BIMA)

Full year results (£m)	Re-presented 2007	Base business	Acquisitions/ Disposals	Business improvement costs	Exchange effects	2008
Revenue	1,579	102	(66)	—	30	<b>1,645</b>
year-on-year change	—	+ 6.5%	-4.2%	—	+1.9%	<b>+4.2%</b>
Underlying profit from operations	153	30	(8)	(3)	1	<b>173</b>
year-on-year change	—	+19.6%	-5.2%	-2.0%	+0.7%	<b>+13.1%</b>
Underlying operating margins	9.7%	+120bps	—	—	—	<b>10.5%</b>

In Britain, Ireland, Middle East and Africa (BIMA), base business revenue grew by 6.5% in 2008. The Monkhill disposal, completed in January, reduced total revenues by 4.2%. Growth was driven by strong performances from the UK business, particularly in the second half of the year, and sustained growth in key emerging markets. Base business underlying profit and margin progression of 120 bps was driven by SG&A savings and logistics efficiencies arising from the early implementation of our Vision into Action plans which focused on operational performance in both the UK and South Africa.

Within BIMA, the UK business grew revenue by 5%, led by strong growth in Cadbury Dairy Milk, including new variants and formats, and the successful launches of Creme Egg Twisted and Wispa. Wispa, in particular, delivered over £25 million of revenue since September 2008, a record for a new product launch. After a strong performance in 2007, led by product innovation and promotional activity, our gum share remained satisfactory at around 10%. In candy, revenues were boosted by recovery from the Sheffield flood which adversely impacted the business in the second half of 2007. Growth was also helped by the successful introduction of The Natural Confectionery Co in the UK into grocery channels. Overall, Cadbury ended the year with UK confectionery market share up 50 bps, reflecting gains in chocolate and candy more than offsetting a small decline in gum share, and Ireland confectionery market share up 20 bps.

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Our emerging markets business in BIMA grew revenues by 14%, driven by strong performance across all categories. This was partially offset by revenue and volume declines in Egypt due to portfolio rationalisation and pricing actions which significantly improved operating performance in the business. South Africa delivered excellent results with a strong confectionery market share gain of 290 bps in the year, principally driven by chocolate, driving revenues up over 20%. Nigeria was a good contributor to margin expansion, delivering a modest trading profit this year, after several years of significant underperformance.

Outside underlying profit from operations were restructuring costs of £21 million and a non-trading loss of £9 million relating to the disposal of Monkhill.

Also recognised outside the underlying result of the region is a charge of £36 million relating to the IAS 39 adjustment to reflect the actual rate ruling on the date of certain commodity transactions. The underlying results of the region reflect the hedged cash flows that were paid.

### Europe

Full year results (£m)	Re-presented 2007	Base business	Acquisitions/ Disposals	Business Improvement costs	Exchange effects	2008
<b>Revenue</b>	879	33	45	—	140	<b>1,097</b>
year-on-year change	—	+3.8%	+5.1%	—	+15.9%	<b>+24.8%</b>
<b>Underlying profit from operations</b>	82	12	3	(2)	20	<b>115</b>
year-on-year change	—	+14.6%	+3.7%	-2.4%	+24.3%	<b>+40.2%</b>
<b>Underlying operating margins</b>	9.3%	+100bps	—	—	—	<b>10.5%</b>

In **Europe**, revenues were up 4%, reflecting good growth in gum and candy, offset by chocolate where there was some volume weakness in France, Poland and Russia. All countries grew with the exception of France, where revenues were unchanged. Second half revenue growth was stronger, reflecting the benefit of price increases and a more positive performance in Turkey. The steady performance overall was achieved despite market conditions weakening during the second half of the year. Base business margins were up 100 bps over the year as a whole, reflecting an improved performance as the business improved mix and tightened cost control.

Gum performed well across the region, delivering good revenue growth and gaining market share in all areas of operation except Russia, Spain and Turkey. In Europe, we launched our longer lasting taste technology across three of our focus brands. This multi-country roll-out was the regions most successful brand launch to date. In Turkey, the integration of Intergum and Kent sales channels was successfully completed in the first half of the year, benefiting year-on-year performance in the last six months.

Candy performed well despite a major SKU reduction in Halls, which limited revenue growth but helped improve operating margin through simplification. Revenues from chocolate declined, reflecting strong competitive pressures in France, Poland and Russia which impacted volumes as the business looked to increase prices.

In Russia, our route-to-market changes were less successful than expected, necessitating further changes towards the end of the year. Across Europe, progress implementing key elements of our Vision into Action business plan proceeded well, reflecting good project management of several major investments. These included the head office consolidation, gum supply chain reconfiguration, and working with the Britain & Ireland team to implement a pan-European manufacturing strategy for chocolate.

Outside underlying profit from operations were restructuring costs of £63 million, including £27 million relating to penalties and other costs due to an onerous contract with a third party gum supplier.



**Americas**

Full year results (£m)	Re-presented 2007	Base business	Acquisitions/ Disposals	Business Improvement costs	Exchange effects	2008
<b>Revenue</b>	1,372	135	(16)	—	140	<b>1,631</b>
year-on-year change	—	+9.8%	-1.2%	—	+10.2%	<b>+ 18.9%</b>
<b>Underlying profit from operations</b>	234	51	—	2	28	<b>315</b>
year-on-year change	—	+21.8%	—	+0.9%	+12.0%	<b>+ 34.6%</b>
<b>Underlying operating margins</b>	17.1%	+180bps	—	—	—	<b>19.3%</b>

Our business in the **Americas** delivered another year of strong overall performance, underpinned by continued strong growth for gum, good growth for candy and a robust performance from chocolate following the launch of Green & Blacks in the US. Both North and South America delivered strong growth in revenue, underlying operating profit and underlying operating margin. Underlying market conditions remained generally good, with the US and Canada showing somewhat weaker demand for confectionery in the second half. Our Vision into Action SG&A projects and the simplification of our South American activities into a single business unit contributed strongly to the 180 bps improvement in base business underlying operating margin. In addition, increased productivity in the supply chain benefited margins.

Across the region, gum delivered double-digit revenue growth, with continued growth in Stride and Trident, partially offset by some modest declines for Dentyne. Strong candy growth was driven by Halls, particularly in South America and the US, and by exceptional growth from Sour Patch Kids and Swedish Fish.

In the US, after a very strong first half, demand for gum slowed towards the end of the year, reflecting the weaker economic environment. Despite a significant increase in activity by a major competitor, Cadbury maintained a strong market share, ending the year unchanged, having made gains in the first five months. During the second half, growth in candy was strong, reflecting an excellent performance from all major products. In Canada, overall revenues declined somewhat as growth in candy partly offset declines in chocolate and gum. Operating margins in the US and Canada grew as the benefit from both SG&A savings and distribution and warehousing efficiencies more than offset increased marketing.

In emerging markets revenue grew 13%, led by strong demand for our core brands and effective price realisation. Innovation contributed to consistent market share gains across the region. In Brazil, Trident and Halls were successfully re-launched, including a new creamy fruit range of flavours which expanded the consumer base and increased the frequency of consumption. In addition, new flavours, packaging and advertising campaigns were used to strengthen the market positions of Chiclets, Trident and Halls across the region, having particularly strong results in Argentina, Brazil, Venezuela and Mexico, where the business also grew due to strong demand for Trident Splash.

Outside underlying profit from operations were restructuring costs of £18 million and non trading gains of £5 million, including a £4 million gain on disposal of a surplus property. Amortisation of £2 million relating to a definite life brand has also been excluded from the underlying result.

**Asia Pacific**

Full year results (£m)	Re-presented 2007	Base business	Acquisitions/ Disposals	Business Improvement costs	Exchange effects	2008
<b>Revenue</b>	860	54	3	—	85	<b>1,002</b>
year-on-year change	—	+6.3%	+0.3%	—	+9.9%	<b>+16.5%</b>
<b>Underlying profit from operations</b>	122	2	1	6	12	<b>143</b>
year-on-year change	—	+1.6%	+0.8%	+4.9%	+9.9%	<b>+17.2%</b>
<b>Underlying operating margins</b>	14.2%	-60bps	—	—	—	<b>14.3%</b>

In **Asia Pacific**, base business revenue grew 6%, driven by strong growth in emerging markets. All business units grew revenue, with the exception of China, following a product recall in October, and New Zealand, reflecting the withdrawal from the low-margin cocoa preparation market. Overall, chocolate was the key growth category. Margin improvements in emerging markets and Japan helped the region maintain a good margin at 14.3%.

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In Australia and New Zealand, whilst revenue grew overall, increased competition and the impact of weakening economic conditions limited opportunities to grow market share and recover the full impact of input cost increases. Our business in Japan gained share in 2008 and grew revenue despite softening market conditions.

During the year, our team in Australia started work on the separation of the confectionery and beverages businesses, including separating the combined sales teams and back office functions. In addition, work started on the major Vision into Action project to reconfigure the Australian and New Zealand chocolate and candy supply chains.

In emerging markets, India continued to show strong growth throughout the year. Combined with strong growth in consumer demand, our business continued to gain market share in both chocolate and bubblegum, helped by the launch of Bournville Fine Dark Chocolate, growth from Bubbalo and stronger distribution. Our businesses in South East Asia delivered double digit growth across all categories, despite Thailand suffering from political instability. In China, after a strong start to the year, a product recall in October impacted sales and delayed new product launches planned for the important winter season.

Outside underlying profit from operations were restructuring costs of £32 million, including £21 million relating to the restructuring of our Australian and New Zealand businesses and a non trading gain of £2 million.

### Central

Full year results (£m)	Re-presented 2007	Base business	Acquisitions/ Disposals	Business Improvement costs	Exchange effects	2008
Revenue	9	—	—	—	—	9
year-on-year change	—	—	—	—	—	—
Underlying profit from operations	(118)	14	—	(4)	—	(108)
year-on-year change	—	-11.9%	—	+3.4%	—	-8.5%
Underlying operating margins	n/a	—	—	—	—	n/a

Central revenue arises on the rendering of research and development services to third parties.

In 2008, certain global Supply Chain, Commercial and Science and Technology costs which directly support the regions have been allocated to the regional operating segments. In previous years these costs have been reported within Central Costs. Prior periods have been re-presented accordingly.

Central costs decreased by £10 million, as a result of initiatives implemented as part of our Vision into Action programme.

Outside underlying profit from operations were restructuring costs of £60 million. These costs were incurred as part of our Vision into Action initiative and primarily relate to the relocation of our Head Office, a headcount reduction programme in Group Functions and costs associated with removing the regions from 2009.

### FUTURE TRENDS

Future revenue and profit from operations may be affected by both external factors and trends that alter the environment in which we carry out our business as well as internal management strategies aimed at improving our business performance.

#### External and internal factors

A discussion of the external and internal factors that affect our business is contained in Item 3 - titled 'Risk factors' on pages 7 to 10.

#### 2009 outlook

In October 2008 we announced a new Group structure of seven business units instead of four regions. The changes took effect from 1 January 2009.



**2009 restructuring guidance**

In 2009 we will continue to implement our Vision into Action initiative to achieve mid-teen margins by 2011. In total the initiative is projected to incur £450 million of restructuring costs. The costs of integrating acquisitions will continue to be included within restructuring in 2009. In 2009, we expect total restructuring charges of around £150 million.

**OPERATING REVIEW 2007 COMPARED TO 2006 – Continuing operations**

**Group**

Analysis of results	Re-presented 2006 £m	Base business £m	Acquisitions/ Disposals £m	Exchange effects £m	Re-presented 2007 £m
<b>Revenue</b>	<b>4,483</b>	324	(4)	(104)	<b>4,699</b>
<b>Profit from operations</b>	<b>328</b>	(29)	(7)	(14)	<b>278</b>
<b>Profit before tax</b>	<b>244</b>				<b>254</b>
<b>Discontinued operations</b>	<b>989</b>				<b>258</b>
<b>Basic EPS — continuing</b>	<b>8.7p</b>				<b>7.0p</b>
<b>Basic EPS — continuing and discontinued</b>	<b>56.4p</b>				<b>19.4p</b>
<b>Dividend per shares</b>	<b>14.0p</b>				<b>15.5p</b>

The key highlights of 2007 were as follows:

- > Base business revenues grew by 7%, above the top end of our new confectionery goal range (of 4–6%);
- > Revenue growth was broadly based across most of our markets with gum and emerging markets continuing to show double-digit growth;
- > Margins fell by 140bps due to an increase in restructuring costs, a significant increase in growth investment and a further escalation in raw material costs.
- > We made good early progress on our new Vision into Action plan including initiating significant elements of our cost reduction programme by the end of the year;
- > Acquisitions made during the year significantly strengthened existing positions (Intergum in Turkey and Sansei in Japan) and gave us a strong position in a new emerging market (Kandia-Excelent in Romania).

## **1 Review of 2007 Group income statement**

### **(i) Revenue**

Revenue at £4,699 million was £216 million or 5% higher than 2006 sales of £4,483 million. The net effect of exchange movements during the year was to decrease reported revenue by £104 million, mainly driven by a weakening in the US Dollar, the Mexican Peso and the South African Rand.

In 2007, acquisitions, net of disposals, resulted in a £4 million decrease in revenue relative to the prior year. The acquisitions made in 2007 were Intergum, a gum business in Turkey which was acquired on 31 August 2007, Sansei Foods, a confectionery company in Japan which was acquired on 19 July 2007 and Kandia-Excelent, a confectionery company in Romania which was acquired on 13 June 2007.

Base business revenue grew £324 million or 7% with growth in all four of our business segments led by Americas.

### **(ii) Profit from operations**

Profit from operations decreased by £50 million (15%) to £278 million compared to 2006. This was driven by:

- > an increase in restructuring costs of £58 million;
- > a £21 million adverse movement in non-trading items and;
- > an increase of £10 million charge to the IAS 39 adjustment.

This was partially offset by the absence of the UK product recall charge in 2007 (2006: £30 million).

Currency movements had a £14 million (4%) adverse impact on profit from operations. The full-year impact of acquisitions, net of disposals, was a decrease of £7 million (2%) with profit from operations further decreasing by £20 million from business improvement costs included in 2007.

As a consequence of the decrease in profit from operations noted above, operating margin fell by 140 basis points to 5.9%.

## **Marketing**

Marketing spend was £487 million in 2007, a 5% increase at actual exchange rates and an 8% increase at constant exchange rates. Marketing spend as a percentage of revenues was 10% consistent with the prior year.

## **The Vision into Action programme**

In mid-2007, the Group announced that part of its confectionery strategy is to achieve mid-teen margins by 2011. In pursuit of this goal the Group implemented a major group-wide cost reduction programme to significantly reduce the central and regional SG&A and supply chain costs. This will result in a 15% reduction in the Group's global headcount and manufacturing footprint by 2011.

## **The Fuel for Growth programme**

The Group implemented a major cost reduction initiative through 2003-07 with the aim of cutting direct and indirect costs by £360 million per annum by 2007. It was expected that the investment required to deliver the £360 million of cost savings would be £800 million, split between £500 million of restructuring and £300 million of capital expenditure. The 2006 Fuel for Growth restructuring spend of £123 million, including discontinued operations, took the cumulative restructuring spend to around £500 million (at constant exchange rates) and completed the cost phase of the programme.

## **Restructuring costs**

Costs in respect of business restructuring were £165 million compared with £107 million in 2006. In 2007, the restructuring principally related to the Vision into Action programme for the Confectionery business. In addition amounts were recognised relating to a third party supply agreement which has become an onerous contract, costs incurred to separate and establish a stand alone confectionery business. In 2006, the business restructuring related to the continued execution of the Fuel for Growth cost reduction initiative.

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	Re-presented 2007 £m	Re-presented 2006 £m
Vision into Action	151	—
Fuel for Growth projects in the base business	—	107
Onerous contract — Gumlink	9	—
Separation costs	5	—
<b>Restructuring costs</b>	<b>165</b>	<b>107</b>

Of the total 2007 charge of £165 million, £83 million was redundancy related, £19 million related to external consulting costs, £24 million was associated with onerous contracts. The remaining costs consisted of asset write-offs, site closure costs, relocation costs and contract termination costs.

### Business segment analysis

More detailed information on the restructuring activities in each business segment is provided in the business segments performance section from pages 43 to 47. The table below details the business segment analysis of restructuring costs.

	Re-presented 2007 £m	Re-presented 2006 £m
<b>Business segment analysis</b>		
BIMA	60	51
Europe	18	14
Americas	33	11
Asia Pacific	8	10
Central	46	21
<b>Restructuring costs</b>	<b>165</b>	<b>107</b>

### Amortisation and impairment of acquisition intangibles

Amortisation and impairment of acquisition intangibles (included within trading costs) of £18 million was £1 million lower than in 2006. Also included is the impairment of the goodwill relating to China (£13 million) recognised in the year. In 2006, an impairment of the goodwill relating to Cadbury Nigeria (£15 million) was recognised.

### Non-trading items

During 2007, the Group recorded a net profit from non-trading items of £2 million compared to a profit of £23 million in 2006. The main items within non-trading items were:

- > £38 million accounting gain on the rebuild of a factory in our Monkhill UK confectionery business from insurance proceeds. This was offset by the writing down to recoverable value of the Monkhill business (£41 million) which was held for sale at 31 December 2007;
- > £12 million write down to value in use of property, plant and equipment in China; and
- > £20 million profit on disposal of Cottees, a jams, jellies and toppings business in Australia.

### IAS 39 adjustment

Fair value accounting under IAS 39 resulted in a charge of £14 million (2006: £4 million charge). This principally reflects the fact that in 2007 spot commodity prices and exchange rates were higher than the rates implicit in the Group's hedging arrangements.

### (iii) Share of result in associates

In 2007, our share of the result of our associate businesses was a profit of £8 million. This compares to a loss in 2006 of £15 million. Included in the 2006 loss was a £23 million representing our share of the accounting adjustments required to write-down overstated assets and recognise previously unrecognised liabilities following the discovery of the significant overstatement of results in Cadbury Nigeria over a number of years.

**(iv) Financing**

The net financing charge at £32 million was £37 million lower than the prior year. After allowing for the £19 million impact of the IAS 39 adjustment to present financial instruments at fair value, the net financing charge was £51 million or £18 million lower than in 2006. The reduced interest cost is driven by an overall decrease in average net debt over the year and a £3 million increase in the IAS 19 pension credit arising due to increased asset returns in excess of an increased cost from unwinding the discount on liabilities.

Although profit from operations reduced in 2007 it was more than offset by a reduced interest charge which has resulted in the Group's interest cover increasing to 4.7 times in 2007 from 3.9 times in 2006.

**(v) Profit before and after tax**

Profit before tax from continuing operations grew by 4% to £254 million reflecting the increased trading result, partly offset by increased restructuring costs, amortisation and impairment of intangibles, non-trading items and the costs of separation.

The tax rate in 2007 was 41.3% compared with 27.9% in 2006. The increase in tax rates is primarily due to non-deductible restructuring and the continued increased exposure to higher rate tax jurisdictions, in particular the US.

Profit after tax decreased to £149 million from £176 million in 2006.

**(vi) Discontinued operations: Americas, Australia, Europe and South Africa Beverages**

On 7 May 2008 the Group completed the demerger of the Americas Beverages business and in December 2008 the announced the conditional sale of the Australia Beverages business. As described in note 38 of Item 18, on 12 March 2009 the group entered into a definitive sale and purchase agreement for the sale of Australia Beverages. In accordance with IFRS 5 the 2007 and 2006 results have been re-presented to include these results as discontinued operations.

In 2007 the Americas Beverages business generated an operating profit of £526 million (2006: £562 million) and a net profit of £241 million (2006: £336 million), including costs of £46 million (2006: £nil) relating to the separation of the business.

In 2007 the Australia Beverages business generated an operating profit of £24 million (2006: £19 million) and net profit for the year was £17 million (2006: £11 million).

In 2006, discontinued operations included an insignificant contribution arising on the trading in the pre-disposal period and a net profit on disposal of our beverage businesses in Europe and South Africa of £591 million. In addition, a £51 million write-back of total tax provisions was recorded following agreement with the UK tax authorities in respect of the disposal in 1997 of Coca-Cola & Schweppes Beverages, a UK bottling business and the disposal in 1999 of the Group's beverage brands in 160 countries.

**(vii) Minority interests**

In 2007, the Group companies in which we do not own 100% contributed an aggregate profit to the Group. The minority interests share of these profits was £2 million. The change from 2006, where the minority interests share was a loss of £4 million, is due to the losses incurred by Cadbury Nigeria in 2006.

**(viii) Dividends**

The Company paid a final dividend of 10.5 pence, up from 9.9 pence in 2006, an increase of 6%. Including the interim dividend of 5.0 pence, the total dividend for 2007 is 15.5 pence, an 11% increase on the 14.0 pence dividend in 2006. The dividend cover decreased to 1.24 times from 4.0 times in 2006 reflecting the reduced earnings, primarily as a result of the profit on disposal of Europe beverages generated in 2006, and increased dividend.

**(ix) Earnings per share**

Earnings per share from continuing and discontinued operations fell to 19.4 pence from 56.4 pence in 2006 principally reflecting the profit on disposal of our Europe and South African beverage business that was recognised in 2006.

**(x) Effect of exchange rates and inflation on 2007 reported results**

Over 80% of the Group's revenues and profits in 2007 were generated outside the United Kingdom. The Group's reported results have been affected by changes in the exchange rates used to translate the results of non-UK operations. In 2007 compared with 2006, the largest exchange rate impact on the Group's results was the weakening in the US Dollar, the Mexican Peso and South African Rand.

In 2007, movements in exchange rates decreased the Group's revenue by 2%, pre-tax profit by 7% and earnings per share by 3%.

General price inflation in countries where the Group has its most significant operations remained at a low level throughout the year and in general terms was within the 1% to 4% range. In certain developing markets, notably Venezuela, Turkey, Brazil, Russia, Nigeria and Argentina, the rate of inflation was significantly higher than this range, but the impact was not material to the Group results.

**2. 2007 compared to 2006 — Business segments performance**

For an explanation of the underlying measures which are used by management to make decisions see pages 32 to 34.

**Britain, Ireland, Middle East and Africa (BIMA)**

Full year results (£m)	Re-presented 2006	Base business	Acquisitions/ Disposals	Business improvement costs <sup>1</sup>	Exchange effects	Re-presented 2007
<b>Revenue</b>	<b>1,500</b>	<b>95</b>	<b>11</b>	<b>—</b>	<b>(27)</b>	<b>1,579</b>
year-on-year change	—	+ 6.3%	+0.8%	—	-1.8%	+5.3%
<b>Underlying profit from operations</b>	<b>170</b>	<b>(9)</b>	<b>(1)</b>	<b>(3)</b>	<b>(4)</b>	<b>153</b>
year-on-year change	—	-5.3%	-0.6%	-1.8%	-2.3%	-10.0%
<b>Underlying operating margins</b>	<b>11.3%</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>9.7%</b>

<sup>1</sup> Ongoing business improvement costs charged to underlying profit from operations in 2007 were £3 million. There were no ongoing business improvement costs in the comparable period in 2006 as all costs were incurred as part of the Fuel for Growth programme which was included as restructuring costs outside underlying.

In **Britain, Ireland, the Middle East and Africa (BIMA)**, underlying base business revenue growth of 6% reflects buoyant confectionery category growth in Britain and strong growth in our emerging market operations in Africa and the Middle East. Acquisitions made in 2006 (mainly Cadbury Nigeria and Dandy Products in South Africa) contributed an additional £11 million or 1% to revenues.

Our business in Britain grew revenues by 5%, broadly in line with the overall confectionery market which benefited from a good recovery in chocolate following our product recall, a hot summer in the UK in 2006 and a 16% growth in the gum market following our launch of Trident early in the year. Our overall market share performance strengthened in the second half despite the adverse impact of flooding at our Sheffield factory on candy revenues. In chocolate, revenues in the second half benefited from the successful relaunch of Wispa and our new advertising campaign for Cadbury Dairy Milk. Our gum business secured a 10% share of the UK gum market in its first year, and accounted for the majority of the growth in the gum market during the year.

Revenues in emerging market operations grew by 15%. In South Africa, we had a good year as a result of strong growth in gum and affordable chocolate count-lines. In Nigeria, the business made solid progress after a difficult 2006 and was stabilised with revenues ahead and operating losses reduced.

Base business margins (before the impact of business improvement costs) were lower year-on-year, mainly as the result of a significant increase in marketing investment in the UK behind media advertising for our core Cadbury Dairy Milk brand, the launch of gum which diluted margins by over 150 bps and higher milk costs.

Outside underlying profit from operations were restructuring costs of £60 million. These costs include the redundancy costs incurred as part of the SG&A headcount reduction, the recognition of a provision relating to the announced redundancies which will be incurred on the closure of our Somerdale factory in the UK and an onerous contract and asset write-offs which arise due to the relocation of the UK regional headquarters. Non-trading items included an accounting gain of £38 million arising from a factory insurance recovery following a fire in 2005 at our Monkhill confectionery business in the UK offset by the writing down to recoverable value of £41 million of the Monkhill assets which are held for sale at 31 December 2007.

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Also recognised outside the underlying result of the region is a charge of £9 million relating to the IAS 39 adjustment to reflect the actual rate ruling on the date of certain commodity transactions. The underlying results of the region reflect the hedged cash flows that were paid.

### Europe

Full year results (£m)	Re-presented 2006	Base business	Acquisitions/ Disposals	Business improvement costs <sup>1</sup>	Exchange effects	Re-presented 2007
Revenue	818	56	—	—	5	879
year-on-year change	—	+6.8%	—	—	+ 0.7%	+7.5%
Underlying profit from operations	81	10	(4)	(5)	—	82
year-on-year change	—	+12.3%	-4.9%	-6.2%	—	+1.2%
Underlying operating margins	9.9%	—	—	—	—	9.3%

<sup>1</sup> Ongoing business improvement costs charged to underlying profit from operations in 2007 were £5 million. There were no ongoing business improvement costs in the comparable period in 2006 as all costs were incurred as part of the Fuel for Growth programme which was included as restructuring costs outside underlying.

Our **Europe** region had an excellent year with base business revenues up nearly 7%. The impact of acquisitions (Intergum and Kandia) and disposals (Adams Italia) was neutral. The growth in revenues was driven by strong performances across the region particularly in gum where revenues were up by 11%. Developed market revenues grew by 5% and emerging markets by 11%.

Gum revenues benefited from the continued co-ordinated roll-out of key global product and packaging technologies and by strong market-place execution. Centre-filled gum was launched in Russia, Turkey, Spain and Portugal under the Dirol and Trident brands; longer-lasting gum was launched in France and Greece under the Hollywood and Trident brands respectively.

In France, revenues grew modestly reflecting planned rationalisation of our candy portfolio which was more than offset by continued strong growth in gum and the launch of Halls. Our businesses in northern Europe had a very good year with share gains in many markets. In southern Europe, we had an excellent year in Spain, with a further increase in our gum share to 46% following the launch of Trident Splash.

In our emerging market operations, revenues in Russia were ahead by over 20% due to strong market growth and share gains in gum. In Turkey, our business benefited from good market growth and the expansion into chocolate gifting products for the important Bayram religious festivals and the launch of Trident Splash.

The recent acquisitions of Intergum in Turkey and Kandia in Romania are being integrated into the region and performance was satisfactory. Intergum made a modest loss in the year reflecting planned de-stocking of the trade while Kandia made a small profit. Overall acquisitions diluted the region margin by 40bps. Before the impact of acquisitions and business improvement costs, margins in the region were ahead.

Outside underlying profit from operations the region incurred £18 million of restructuring costs relating to the penalties incurred and recognition of an onerous contract with a third party gum supplier and consulting costs incurred as part of setting up a new regional headquarters in Switzerland.

**Americas**

Full year results (£m)	Re-presented 2006	Base business	Acquisitions/ Disposals	Business improvement costs <sup>1</sup>	Exchange effects	Re-presented 2007
<b>Revenue</b>	<b>1,330</b>	<b>150</b>	<b>(26)</b>	<b>—</b>	<b>(82)</b>	<b>1,372</b>
year-on-year change	—	+11.3%	-2.0%	—	-6.1%	+ 3.2%
<b>Underlying profit from operations</b>	<b>192</b>	<b>66</b>	<b>(3)</b>	<b>(4)</b>	<b>(17)</b>	<b>234</b>
year-on-year change	—	+34.4%	-1.6%	-2.1%	-8.8%	+ 21.9%
<b>Underlying operating margins</b>	<b>14.4%</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>17.1%</b>

<sup>1</sup> Ongoing business improvement costs charged to underlying profit from operations in 2007 were £4 million. There were no ongoing business improvement costs in the comparable period in 2006 as all costs were incurred as part of the Fuel for Growth programme which was included as restructuring costs outside underlying.

Our **Americas** region had an outstanding year with strong growth in revenues and margins. Base business revenue growth was 11% with double-digit growth in nearly every market. Revenues grew by 9% in our developed markets in North America and by 15% in our emerging markets in Latin America. This continued strong momentum was driven by gum category growth, share gains and new product launches, notably the roll-out of centre-filled gum into Latin America. The disposal of Allan Candy in Canada, reduced revenues by £26 million or 2%.

In the US, the gum market grew by 9%, benefiting from the combination of price rises and innovation. Our gum share rose by 310 bps in the year despite an increase in competitive activity. This share gain was due to strong growth in our Trident and Stride brands with Stride's share of the gum market rising from 3.0% to 6.3% during the course of the year. Although the cough category grew 4%, Halls lost 70 bps of share and revenues in the US were modestly lower year-on-year as a result.

In Canada, base business revenues were 3% ahead, with growth in our core brands partly offset by the rationalisation of non-core brands and SKUs. Margins continued to benefit from the focus on our advantaged core brands. The Stride gum brand was launched in Canada at the end of the year.

Performance was strong across all our businesses in Latin America including in Mexico where revenues were ahead by 12% as a result of continued investments in extending our route to market and the launch of Trident Splash centre-filled gum. In a market which grew by 13%, our share of the Mexican gum market rose by 100bps, reaching 80% at the end of the year. Elsewhere in Latin America, revenues grew strongly in Argentina, Brazil and Venezuela due to the combination of pricing, route to market investments, growth in core brands (Trident, Halls and Beldent) and innovation. Trident centre-filled gum was also launched in Brazil, Colombia and Ecuador.

Margins in the region increased significantly during the year, to 17.1% before the impact of exchange. The 300bps increase in base business margins was driven by higher pricing, supply chain savings, positive mix and operational leverage. In the fourth quarter of the year, a major reorganisation of the region was implemented with significant SG&A savings expected to benefit margins in 2008.

Outside underlying profit from operations were restructuring costs of £33 million. These costs reflect a headcount reduction programme to reduce SG&A costs and the one-off costs incurred to terminate an employee profit sharing agreement. Non-trading items contributed a loss of £1 million. This charge represented the finalisation of the loss on disposal of Allan Candy. In addition, amortisation of £2 million relating to a definite life brand was excluded from the underlying result.

**Asia Pacific**

Full year results (£m)	Re-presented 2006	Base business	Acquisitions/ Disposals	Business Improvement costs <sup>1</sup>	Exchange effects	Re-presented 2007
<b>Revenue</b>	827	22	10	—	1	<b>860</b>
year-on-year change	—	+2.7%	+1.2%	—	+0.1%	<b>+4.0%</b>
<b>Underlying profit from operations</b>	132	(4)	1	(9)	2	<b>122</b>
year-on-year change	—	-3.0%	+0.7%	-6.8%	+1.5%	<b>-7.6%</b>
<b>Underlying operating margins</b>	16.0%	—	—	—	—	<b>14.2%</b>

<sup>1</sup> Ongoing business improvement costs charged to underlying profit from operations in 2007 were £9 million. There were no ongoing business improvement costs in the comparable period in 2006 as all costs were incurred as part of the Fuel for Growth programme which was included as restructuring costs outside underlying.

Base business revenues in **Asia Pacific** grew by nearly 3%, with continued double-digit (14%) growth in emerging markets, partly offset by a decline in developed markets where revenues were 1% behind. The decline in revenue in developed markets reflected the combination of our exit from non-core confectionery contracts and a challenging retail market in Australia. The net impact of acquisitions (Sansei in Japan) and disposals (Cottees Foods in Australia) increased revenue growth by £10 million.

In developed markets, revenue was modestly lower in Australia, against a background of the competitive and challenging retail environment. While the Australian confectionery market grew strongly in the year, the reduction in our confectionery revenues was due to the combination of retailer de-stocking and a reduction in our promotional activity. Elsewhere, New Zealand had a good year with a 170bps increase in share driven by both chocolate and candy. In Japan, we continued to gain share in gum, with our share up 120bps to nearly 20% at the end of the year. Sansei, a functional candy business, is being integrated into our existing business and is performing in line with expectations.

In emerging markets, performance in India was excellent, with revenues growing by over 20%. All our core brands including Cadbury Dairy Milk and Cadbury Eclairs contributed to the growth with results also benefiting from the successful launch of Bubbas branded bubblegum. Performance in South East Asia strengthened into the second half with continued good results from Malaysia where revenues rose by 18%. In China, we completed the refocus on a smaller number of key cities and while revenues were over 20% lower as a result, losses were reduced, in line with expectations.

Underlying margins (before business improvement costs) were modestly lower year-on-year, primarily due to the adverse mix in Australia and higher growth in emerging markets.

Outside underlying profit from operations were restructuring costs of £8 million. These costs were all incurred as part of our Vision into Action programme.

An impairment charge of £13 million relating to goodwill in China, following a change in the Group's strategy in China, and amortisation of a definite life brand of £2 million were also excluded from the underlying results of the region. Non-trading items include the write down to value in use of property, plant and equipment of £12 million in China offset by the profit of £20 million from the disposal of Cottees, a jams, toppings and jellies business in Australia, is also excluded from the underlying results of the region.



## Central

Full year results (£m)	2006	Base business	Acquisitions/ Disposals	Exchange effects	2007
<b>Revenue</b>	8	1	—	—	<b>9</b>
year-on-year change	—	+12.5%	—	—	<b>+12.5%</b>
<b>Underlying profit from operations</b>	(110)	(9)	—	1	<b>(118)</b>
year-on-year change	—	-8.2%	—	+0.9%	<b>-7.3%</b>
<b>Underlying operating margins</b>	n/a	—	—	—	<b>n/a</b>

Central revenue arises on the rendering of research and development services to third parties.

Central costs increased by £8 million, a 7% rise principally as a result of investment in IT and an increase in the share based payment expense.

Outside underlying profit from operations were restructuring costs of £46 million. These costs were all incurred as part of our Vision into Action initiative and primarily relate to the relocation of our Head Office and headcount reduction programme in Group Functions.

## CAPITAL STRUCTURE AND RESOURCES

### Capital structure

On 2 May 2008, a new holding company, Cadbury plc was inserted into the Group over the listed parent company, Cadbury Schweppes plc, and on that date the ordinary shares of Cadbury plc were admitted to listing on The London and New York Stock Exchanges (as ADRs in the case of New York), the shares and ADRs of Cadbury Schweppes plc being delisted at the same time and the company being renamed Cadbury Holdings Limited.

During 2008, our market capitalisation decreased to approximately £8.2 billion from £13.1 billion. This was principally driven by the demerger of the Americas Beverages business, which resulted in a reduction of £3.5 billion and the widespread fall in equity values during 2008. Net debt decreased during the year from £3,219 million at the end of 2007 to £1,887 million at the end of 2008 as the impact of debt repaid following the demerger of the Americas Beverages business was partially offset by the impact of exchange rates on our foreign currency debt and cash utilisation within the Group, in part relating to the costs associated with the demerger.

We continue to proactively manage our capital structure to maximise shareholder value, while maintaining flexibility to take advantage of opportunities which arise, to grow our business. One element of our strategy is to make targeted, value enhancing acquisitions. It is intended that these will, where possible, be funded from cash flow and increased borrowings. The availability of suitable acquisitions, at acceptable prices is, however, unpredictable. Accordingly, in order to maintain flexibility to manage the capital structure, the Group has sought, and been given, shareholders approval to buy back shares as and if appropriate. This authority has only been used once, in 1999, when 24 million shares (representing approximately 1% of the parent company's equity) were purchased. Renewal of this authority will be sought at the Annual General Meeting. Additionally, many of the obligations under our share plans described in Note 26 to the financial statements will be satisfied by existing shares purchased in the market by the Cadbury Schweppes Employee Trust (the Employee Trust) rather than by newly issued shares. The Employee Trust purchased £47 million shares during 2008 (£70 million in 2007) and held 10 million (2007: 17 million) shares at the end of 2008, representing approximately 0.7% (2007: 0.8%) of the Company's issued share capital.

### Borrowings

At the end of 2008 the total of gross short-term and long term borrowings was £2,385 million compared with £3,714 million at the end of 2007. This reduction was mainly due to the repayment of debt following the demerger of the Americas Beverages business. Cash and cash equivalents decreased to £251 million at the end of 2008 compared to £493 million at the end of 2007 while short-term investments increased from £2 million at the end of 2007 to £247 million at the end of 2008. Net borrowings decreased to £1,887 million at the end of 2008, from £3,219 million at the end of 2007. The decrease was driven by the Americas Beverages demerger.

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Gearing is calculated as follows:

	2008 £m	2007 £m
Net debt	1,887	3,219
Ordinary shareholders' fund	3,522	4,162
Equity minority interests	12	11
	<b>3,534</b>	<b>4,173</b>
<b>Gearing ratio %</b>	<b>53</b>	<b>77</b>

At the end of 2008 £1,195 million of our gross debt was due after one year. £1 billion of the £1,190 million due within one year was supported at the year end by an undrawn committed revolving credit facility that matures in March 2010. The facility is subject to customary covenants and events of default.

In view of our committed facilities, cash and cash equivalents, short-term investments and cash flow from operations, we believe that there are sufficient funds available to meet our anticipated cash flow requirements for the foreseeable future.

The Group has a strong programme of debt funding which, after redemption of a €600 million Euro bond in June 2009, will total around £1.1 billion, running through to 2018, with an average maturity of six years. The Group's liquidity position is strong with a further £1.0 billion of undrawn revolving credit facility which expires in March 2010. Since 31 December 2008 the Group has issued a £300 million bond which matures in 2014. The Australia Beverages disposal is expected, on completion, to generate net proceeds of around £475 million. It is the board's intention, in conjunction with various other refinancing options, to refinance well in advance of the maturity of the £1 billion revolving credit facility, which expires in March 2010.

Our long-term credit rating remained unchanged during 2008 at BBB.

The Group's net debt is in part denominated in foreign currencies (see Note 27). Therefore, the Group's debt will depend on future movements in foreign exchange rates, principally the US Dollar and the Euro.

At the end of 2008, 71% of our net borrowings were either at fixed rates or converted to fixed rates through the use of interest rate swaps. It should be noted, however, that the year end is the low point in our seasonal borrowing cycle. Details of the currency and interest rate profile of our borrowings are disclosed in Note 27 to the financial statements.

### Net debt

References to net debt refer to the total borrowings of our business, including both short-term and long-term bank loans, bonds and finance leases, after offsetting the cash and cash equivalents held by the business and our short-term investments.

The table below reconciles net debt, as we define it, to the corresponding IFRS balance sheet captions.

	2008 £m	2007 £m
Short-term investments	247	2
Cash and cash equivalents	251	493
Short-term borrowings and overdrafts	(1,189)	(2,562)
Obligations under finance leases	(1)	(21)
Borrowings — non current	(1,194)	(1,120)
Obligations under finance leases — non current	(1)	(11)
<b>Net debt</b>	<b>(1,887)</b>	<b>(3,219)</b>

Net debt is not a defined term under IFRS and may not therefore be comparable with other similarly titled non-GAAP debt measures reported by other companies. Net debt is the measure we use for internal debt analysis. We believe that net debt is a useful measure as it indicates the level of indebtedness after taking account of the financial assets within our business that could be utilised to pay down debt. In addition the net debt balance provides an indication of the net borrowings on which we are required to pay interest.

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The IFRS cash flow statement reports all flows impacting the Group's cash and cash equivalents. As a result, certain significant factors impacting the Group's indebtedness including the impact of exchange rates or debt disposed, demerged or acquired are not shown in the cash flow statement. The table below reconciles the Group's opening to closing net debt position after taking these factors into consideration.

	2008 £m	2007 £m
Net debt at beginning of year	(3,219)	(2,909)
Net (decrease)/increase in cash and cash equivalents per cash flow statement	(393)	259
Net cash inflow/(outflow) on borrowings and short-term investments*	52	(409)
IAS 39 movements	(3)	—
Amortisation of prepaid fees	—	(1)
Debt acquired	(7)	(82)
Unamortised financing costs	42	—
Debt demerged	1,945	—
Exchange adjustment	(304)	(77)
<b>Net debt at end of year</b>	<b>(1,887)</b>	<b>(3,219)</b>

\* Reflected in cash flow statement but no impact on net debt.

### Contractual obligations

In accordance with IFRS7, the group presents contractual obligations on both a net settled and gross settled basis as at 31 December 2008 and 31 December 2007.

#### Contractual obligations — Net settled As at 31 December 2008:

	Total £m	Payable on demand £m	<1 year £m	1-3 years £m	3-5 years £m	5 years + £m
Bank loans and overdrafts	682	152	377	1	85	67
Estimated interest payments — borrowings	268	—	79	66	62	61
Estimated net interest payments — interest rate swaps	1	—	1	—	—	—
Finance leases	2	—	1	1	—	—
Other borrowings	1,703	—	586	77	690	350
Purchase obligations	535	—	514	21	—	—
Trade and other payables	911	—	859	52	—	—
<b>Total</b>	<b>4,102</b>	<b>152</b>	<b>2,417</b>	<b>218</b>	<b>837</b>	<b>478</b>

#### Contractual obligations — Gross settled As at 31 December 2008:

	Total £m	Payable on demand £m	<1 year £m	1-3 years £m	3-5 years £m	5 years + £m
<b>Payments</b>						
Estimated foreign exchange payments — forward contracts	1,879	—	1,835	44	—	—
<b>Receipts</b>						
Estimated foreign exchange receipts — forward contracts	1,850	—	1,804	46	—	—
<b>Net payments/(receipts)</b>	<b>29</b>	<b>—</b>	<b>31</b>	<b>(2)</b>	<b>—</b>	<b>—</b>

Where the fair value of derivatives are financial assets, future contract obligations are not shown.

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### Contractual obligations — Net settled As at 31 December 2007:

	Total £m	Payable on demand £m	<1 year £m	1-3 years £m	3-5 years £m	5 years + £m
Bank loans and overdrafts	814	44	677	17	75	1
Estimated Interest payments — borrowings	243	—	87	78	52	26
Estimated Net Interest payments — interest rate swaps	8	—	4	4	—	—
Finance leases	36	—	22	5	5	4
Other borrowings	2,868	—	1,841	526	—	501
Purchase obligations	431	—	365	52	14	—
Trade and other payables	1,000	—	963	37	—	—
<b>Total</b>	<b>5,400</b>	<b>44</b>	<b>3,959</b>	<b>719</b>	<b>146</b>	<b>532</b>

### Contractual obligations — Gross settled As at 31 December 2007:

	Total £m	Payable on demand £m	<1 year £m	1-3 years £m	3-5 years £m	5 years + £m
<b>Payments</b>						
Estimated Foreign Exchange payments — forward contracts	703	—	684	19	—	—
<b>Receipts</b>						
Estimated Foreign Exchange receipts — forward contracts	685	—	667	18	—	—
<b>Net payments</b>	<b>18</b>	<b>—</b>	<b>17</b>	<b>1</b>	<b>—</b>	<b>—</b>

Where the fair value of derivatives are financial assets, future contractual obligations are not shown.

Estimated future interest rate payments on borrowings are based on the applicable fixed and floating rates of interest as at the end of the year for all borrowings or interest rate swap liabilities. The interest obligations in the above table have been calculated assuming that all borrowings and swaps in existence at year end will be held to maturity and are on a constant currency basis.

Cadbury Holdings Limited, a subsidiary of the Company, has guaranteed borrowings and other liabilities of certain other subsidiary undertakings. The amount outstanding and recognised on the Group Balance Sheet at 31 December 2008 was £2,185 million (2007: £3,470 million). In addition, certain of the Company's subsidiaries have guaranteed borrowings of certain other subsidiaries. The amount covered by such arrangements as at 31 December 2008 was £1,693 million (2007: £2,017 million). Subsidiary undertakings have guarantees and indemnities outstanding amounting to £18 million (2007: £7 million). The Group has other guarantees and indemnities outstanding relating to the demerger of the Americas Beverages business and certain other disposals.

#### Off balance sheet arrangements

The Group has no off balance sheet arrangements.

#### Free Cash Flow

We define Free Cash Flow as the amount of cash generated by the business after meeting all our obligations for interest and tax and after all capital investment. In 2007, the Group revised its definition of Free Cash Flow to exclude dividends payable to equity shareholders to align with market practice. Free cash flow for 2006 has been re-presented from £200 million under the previous definition after the payment of £272 million dividends to equity shareholders to £472 million on a comparable basis.

Free Cash Flow is not a defined term under IFRS and may not therefore be comparable with other similarly titled non-GAAP cash flow measures reported by other companies. Free Cash Flow is the measure we use for internal cash flow performance analysis and is the primary cash flow measure seen and used by the CEC. We believe that Free Cash Flow is a useful measure because it shows the amount of cash flow remaining after the cash generated by the Group through operations has been used to meet purposes over which the Group has little or no discretion such as taxation and interest costs or those which are characteristic of a continuing business, for example capital expenditure.

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Free Cash Flow therefore represents the amount of cash generated in the year by the business and provides investors with an indication of the net cash flows generated that may be used for, or are required to be funded by, other discretionary purposes such as investment in acquisitions, business disposals and the drawing and repayment of financing.

	2008 £m	2007 £m	2006 £m
Net cash from operating activities	469	812	620
Add back:			
Additional funding of past service pensions deficit	30	48	67
Demerger financing costs	53	—	—
Taxes paid on disposals	44	12	83
Less:			
Net capital expenditure	(482)	(352)	(300)
Net associate and minority dividends received	10	7	2
<b>Free Cash Flow</b>	<b>124</b>	<b>527</b>	<b>472</b>

Net capital expenditure includes purchases of property, plant and equipment of £500 million (2007: £409 million 2006: £384 million) less proceeds on disposal of property, plant and equipment of £18 million (2007: £57 million 2006: £84 million).

In 2008, payments of £30 million (2007: £48 million 2006: £67 million) made into our principal Group defined benefit pension arrangements in respect of past service deficits have been excluded from Free Cash Flow. These payments are part of a wider pension funding strategy for the period from 2005 to 2008. We believe that the funding of these pension deficits is a discretionary use of Free Cash Flow comparable to the repayment of external borrowings and has therefore been added back in calculating Free Cash Flow. We will continue this reporting practice in future years. We continue to report the cash cost of funding pension obligations arising in respect of current year service within Free Cash Flow.

Consistent with the cash flow from disposals of subsidiaries being excluded from Free Cash Flow, associated tax payments are also excluded from the Group's definition of Free Cash Flow. Taxes paid on disposals in 2008 relate to the demerger of the Americas Beverages business and in 2007 relate to the disposal of the European Beverages business.

In 2006, tax payments arising on disposals of £83 million, principally a £74 million payment to the UK tax authorities in settlement of a tax dispute arising on the 1997 disposal of Coca-Cola & Schweppes Beverages, have been excluded from Free Cash Flow. This aligns the treatment of the tax with the treatment of the disposal proceeds which are excluded from Free Cash Flow.

We have also excluded the £53 million (2007 and 2006: £nil) upfront financing costs paid in 2008 relating to debt demerged with the Americas Beverages business from Free Cash Flow.

In 2008, we generated Free Cash Flow of £124 million, a decrease of £403 million compared to 2007 when Free Cash Flow was £527 million (2006: £472 million).

The reduction in Free Cash Flow is principally as a result of the demerger of the Americas Beverages business in May 2008, and a £130 million increase in net capital expenditure reflecting lower disposal proceeds and the investment in our new gum factory in Poland.

Net cash flow from operating activities as shown in the cash flow statement on page F-6 was £469 million (2007: £812 million; 2006: £620 million).

### **Cash flows on acquisitions and disposals**

The net cash inflow in 2008 on acquisitions and disposals was £60 million. This principally comprises the sale of Monkhill. Reported separately to acquisitions and disposals, separation costs relating to the Americas Beverages demerger were £107 million and cash demerged with the Americas Beverages business was £67 million.

The net cash outflow in 2007 on acquisitions and disposals was £320 million. This principally comprised the acquisitions of Intergum, Sansei, Kandia-Excelent and South East Atlantic Beverages offset by disposal proceeds on non-core business disposals.

The net cash inflow in 2006 on acquisitions and disposals was £898 million. This comprised £1,295 million of proceeds from disposals offset by acquisitions of £375 million, principally the purchase of the remaining 55% of the share capital of CSBG for £201 million.

Net cash outflow before financing in 2008 was £362 million (2007: £245 million inflow; 2006: £1,142 million inflow).

### **Financing cash flows**

The net cash outflow from financing during 2008 was £31 million. This included payment of dividends of £295 million to shareholders and the receipt of £58 million from issue of ordinary shares due to the exercising of options. In the year, the net drawdown of borrowings was £215 million with £4.4 billion new borrowings raised and £4.2 billion borrowing repaid in part reflecting the finance of the Americas Beverages business ahead of demerger and the subsequent repayment of part of the continuing Group's borrowings.

The net cash inflow from financing during 2007 was £14 million. This included payment of dividends of £311 million to shareholders and the receipt of £56 million from issue of ordinary shares due to the exercising of options. In the year net drawdown of borrowings was £304 million.

The net cash outflow from financing during 2006 was £1,212 million. This included payment of dividends of £272 million to shareholders. In 2006 net repayments of borrowings were £949 million.

### **Net cash**

Cash and cash equivalents (net of overdrafts) decreased during 2008 by £350 million to £99 million from £449 million at 31 December 2007 due to timing of cash receipts and a £245 million increase in our holding of short term investments. In 2007, net cash increased by £263 million from £186 million at 1 January 2007. We invest our cash predominantly in instruments with investment grade credit ratings and the maximum exposure to any single counterparty is strictly limited.

### **Capital expenditure**

Capital expenditure in 2008 was £500 million (2007: £409 million, 2006: £384 million), an increase of 22% over the level of expenditure in 2007. Key areas of capital expenditure increase related to investment in the production capacity and facilities of the Group, in particular UK chocolate production and gum capacity in Europe. All these projects were funded from internal resources.

For 2009 we expect capital spend to be 5% of revenue on ongoing basis and an additional 2% of revenue incurred as part of our Vision into Action programme. At 31 December 2008 we had capital commitments of £7 million (2007: £16 million). We expect to continue to fund capital expenditure from internal resources.

### **Treasury risk management policies**

Other than expressly stated, the policies set out below also apply to prior years, and the information provided is representative of the Group's exposure to risk during the period.

#### **(a) Credit Risk**

The Group is exposed to credit related losses in the event of non-performance by counterparties to financial instruments, but it does not expect any counterparties to fail to meet their obligations given the Group's policy of selecting only counterparties with high credit ratings. The exposure to credit loss of liquid assets is equivalent to the carrying value on the balance sheet. The maximum credit exposure of interest rate and foreign exchange derivative contracts is represented by the fair value of contracts with a positive fair value at the reporting date.

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Counterparties to financial instruments are limited to financial institutions with high credit ratings assigned by international credit rating agencies. The Group has ISDA Master Agreements with most of its counterparties to financial derivatives, which permits net settlement of assets and liabilities in certain circumstances, thereby reducing the Group's credit exposure to individual counterparties. The Group has policies that limit the amount of credit exposure to any single financial institution.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's customer base being large and unrelated. There were no significant concentrations of credit exposure at the year-end relating to other aspects of credit. Management therefore believe there is no further credit risk provision required in excess of normal provision for doubtful receivables.

The Group is exposed to £2,185 million in credit exposure on financial guarantees issued in respect of Group corporate borrowings and certain subsidiary undertakings which represents the Group's maximum credit exposure arising from guarantees. Refer to Note 33 on Commitments and Contingencies for further details.

The financial assets of the Group which are exposed to credit risk are:

Class	2008 £m	2007 £m
Trade receivables	789	952
Other debtors	115	132
Interest rate swaps	55	9
Currency exchange contracts	213	38
Cash	251	493
Short-term investments	247	2
Commodities	—	2

### (b) Liquidity Risk

The Group is exposed to liquidity risk due to the possibility that un-forecast situations could give rise to uncertainty amongst lenders resulting in unavailability of uncommitted sources of funds.

The Group seeks to achieve a balance between certainty of funding, even at difficult times for the markets or the Group, and a flexible, cost-effective borrowings structure. Consequently the policy seeks to ensure that all projected net borrowing needs are covered by committed facilities.

The objective for debt maturities is to ensure that the amount of debt maturing in any one year is not beyond the Group's means to repay and refinance. To this end the policy provides that at least 75% of year-end net debt should have a maturity of one year or more and at least 50%, three years or more. Committed but undrawn facilities may be taken into account for these tests. At year end the Group was in compliance with this policy.

The Company manages the liquidity risk inherent in this analysis by having very diverse funding sources and committed borrowing facilities that can be accessed to meet liquidity needs.

### (c) Market Risk

#### (i) Currency Risk

The Group operates internationally giving rise to exposure from changes in foreign exchange rates. The Group does not hedge translation exposure and earnings because any benefit obtained from such hedging can only be temporary.

The Group seeks to relate the structure of borrowings to the trading cash flows that service them. This is achieved by raising funds in different currencies and through the use of hedging instruments such as swaps.

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The Group also has transactional currency exposures arising from its international trade. The Group's policy is to take forward cover for forecasted receipts and payments for as far ahead as the pricing structures are committed, subject to a target minimum of three months' cover. The Group makes use of the forward foreign exchange markets to hedge its exposures.

While there are exchange control restrictions which affect the ability of certain of the Group's subsidiaries to transfer funds to the Group, the operations affected by such restrictions are not material to the Group as a whole and the Group does not believe such restrictions have had or will have any material adverse impact on the Group as a whole or the ability of the Group to meet its cash flow requirements.

### **(ii) Interest Rate Risk**

The Group has an exposure to interest rate fluctuations on its borrowings and manages these by the use of interest rate swaps, cross currency interest rate swaps and forward rate agreements. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

The treasury risk management policy sets minimum and maximum target levels of the total of net debt and preferred securities permitted to be at fixed or capped rates in various time bands, ranging from 50% to 100% for the period up to six months, to 0% to 30% when over five years. These percentages are measured with reference to the current level of net debt. 71% of net debt was at fixed rates of interest at year end (2007: 54%). The Group was in compliance with policy at year end.

### **(iii) Fair value analysis**

The table on page 55 presents a fair value analysis and a sensitivity analysis of the impact on the Income Statement from hypothetical changes in market rates. The fair values are quoted market prices or, if not available, values estimated by discounting future cash flows to net present values. The fair values of derivative instruments are based on the estimated amount the Group would receive or pay if the transaction was terminated. For currency and interest rate derivatives, fair values are calculated using standard market calculation conventions with reference to the relevant closing market spot rates. For cash and cash equivalents, short term investments, trade and other receivables, trade and other payables and short term loans and receivables with a maturity of less than one year the book values approximate to the fair values because of their short term nature. For non public long term loans and receivables, fair values are estimated by discounting future contractual cash flows to net present values using current market interest rates available to the Group for similar financial instruments as at year end. The table contains fair values of debt instruments based on clean prices excluding accrued interest.

The analysis on page 55 shows forward-looking projections of market risk assuming certain adverse market conditions occur. The sensitivity figures are calculated based on a downward parallel shift of 1% in yield curves and 20% weakening of sterling against other exchange rates. An upward parallel shift of 1% in yield curves and 20% strengthening of sterling against other exchange rates would result in an equal and opposite effect on fair values to the table below.

Due to increased volatility in currency exchange rates during 2008 the sensitivity analysis considers the impact of a 20% weakening in sterling as compared to a 10% weakening for 2007.

This is a method of analysis used to assess and mitigate risk and should not be considered a projection of likely future events and losses. Actual results and market conditions in the future may be materially different from those projected and changes in the instruments held and in the financial markets in which we operate could cause losses to exceed the amounts projected.



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### As at 31 December 2008:

	Impact on Income Statement arising from		
	Fair Value £m	1% decrease in interest rates £m	20% weakening in £ against other currencies <sup>1</sup> £m
Cash and cash equivalents	251	(3)	27
Short-term investments	247	(2)	16
Borrowings	(2,523)	9	(357)
Interest rate swaps	55	34	—
Currency derivative assets (including embedded derivatives)	213	1	837
Currency derivative liabilities	(169)	(2)	(502)

### As at 31 December 2007:

	Impact on Income Statement arising from		
	Fair Value £m	1% decrease in Interest rates £m	10% weakening in £ against other currencies <sup>1</sup> £m
Cash and cash equivalents	493	(5)	36
Short-term investments	2	—	—
Borrowings	(3,696)	8	(351)
Cross currency interest rate swaps	5	—	—
Interest rate swaps	(2)	—	—
Currency derivative assets (including embedded derivatives)	37	—	4
Currency derivative liabilities	(16)	—	(2)

<sup>1</sup> The Group hedges against currency risk using currency derivative contracts and by structuring the currency of its borrowings to relate to the trading cash flows that service them. Where IAS 39 hedge accounting is not applied the offsetting effect of such hedges is not included in the tables above.

#### (iv) Commodities

In respect of commodities the Group enters into derivative contracts for cocoa, sugar and other commodities in order to provide a stable cost base for marketing finished products. The use of commodity derivative contracts enables the Group to obtain the benefit of guaranteed contract performance on firm priced contracts offered by banks, the exchanges and their clearing houses.

The continuing group held the following commodity futures contracts at 31 December 2008:

	2008 Fair value £m	2007 Fair value £m
Commodities (asset)	—	2
Commodities (liabilities)	(5)	(3)
Total	(5)	(1)

The commodities derivative contracts held by the Group at the year-end expose the Group to adverse movements in cash flow and gains or losses due to the market risk arising from changes in prices for sugar, cocoa and other commodities traded on commodity exchanges. Applying a reasonable rise or fall in commodity prices to the Group's net commodity positions held at the year end would result in a movement of £9 million (2007: £6 million) which would be recognised in the finance charge for the period (between 6% and 10% (2007: between 3% and 13%)).

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The price sensitivity applied in this case is estimated based on an absolute average of historical monthly changes in prices in the Group's commodities over a two year period. Stocks, priced forward contracts and estimated anticipated purchases are not included in the calculations of the sensitivity analysis. This method of analysis is used to assess and mitigate risk and should not be considered a projection of likely future events and losses. Actual results and market conditions in the future may be materially different from the projection in this note and changes in the instruments held and in the commodities markets in which the Group operates could cause losses to exceed the amounts projected.

### **Review of accounting policies**

#### **Critical accounting estimates**

A review of our critical accounting policies and the judgements and estimates made by management when applying our critical accounting policies is discussed in our Financial Statements, Item 18 Note 1(z).

#### **Accounting policy changes**

There have been no significant changes in our accounting policies during 2008, other than the adoption of IFRS 8, Operating Segments, with effect from 1 January 2008. In addition, certain costs, including Global Supply Chain, Global Commercial and Science and Technology costs which were previously included in central costs have been allocated to the business segments as these costs directly support the operations of the business. As a result the Group has re-presented its segmental analysis for the comparative 2007 and 2006 financial information.

#### **Recent Accounting Pronouncements**

The following amendments, revisions and new interpretations have been published by the International Accounting Standards Board:

An amendment to IAS 32, "Financial Instruments: Presentation" and IAS 1, "Presentation of Financial Statements", addresses the classification of some puttable financial instruments and instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation. This amendment is effective for annual periods beginning on or after 1 January 2009 and was endorsed by the EU in January 2009. The Group is currently assessing the impact of this amendment on the Group's financial position, results of operations and cash flows.

An amendment to IFRS 2, "Share based payment", clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This may have an impact on the accounting for SAYE and matching share plans for example. This amendment is effective for annual periods beginning on or after 1 January 2009 and was endorsed in December 2008. The Group is currently assessing the impact of this amendment on the Group's financial position, results of operations and cash flows.

IFRS 3 (Revised), "Business combinations", continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed. The standard is applicable to business combinations occurring in accounting periods beginning on or after 1 July 2009, with earlier application permitted. This revision has not yet been endorsed by the EU. This may impact the Group should the Group make material acquisitions in the future.

IAS 27 (Revised), "Consolidated and separate financial statements", requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. This revised standard is effective for accounting periods beginning on or after 1 July 2009 and has not yet been endorsed by the EU. The Group is currently assessing the impact of this revision on the Group's financial position, results of operations and cash flows.

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IAS 1 (Revised), “Presentation of financial statements”, will prohibit the presentation of items of income and expenses (that is, ‘nonowner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The revised IAS 1 also states that entities making restatements or reclassifications of comparative information will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The standard is effective for periods beginning on or after 1 January 2009 and was endorsed by the EU in December 2008. The Group is currently assessing the impact of this revision on the presentation of the Group’s financial position, results of operations and cash flows.

IAS 23 (Revised), “Borrowing costs” requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. It is effective for annual periods beginning on or after 1 January 2009. This standard was endorsed by the EU in December 2008. The Group is currently assessing the impact of this revision on the Group’s financial position, results of operations and cash flows. An amendment to IFRS 1, “First time adoption of International Financial Reporting Standards”, and IAS 27, “Consolidated and separate financial statements”, will allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removed the definition of the cost method from IAS 27 and replaced it with a requirement to present dividends as income in the separate financial statements of the investor. These changes remove the significant barrier that was stopping many UK subsidiaries from adopting IFRS. The amendment is effective for annual periods beginning on or after 1 January 2009 and was endorsed by the EU in January 2009. The Group does not expect this to have an impact on the financial statements.

An amendment to IAS 39, “Financial Instruments: recognition and measurement”, makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The amendment is effective for annual periods beginning on or after 1 July 2009 and has not yet been endorsed by the EU. The Group does not currently expect this amendment to have a material impact on the financial position, results or cash flow.

IFRIC 13, “Customer Loyalty Programmes” clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer should be allocated between the components of the arrangement in proportion to their fair values. IFRIC 13 is effective for annual periods beginning on or after 1 July 2008. The Group does not currently expect this interpretation to have a material impact on its financial position, results or cash flows. This interpretation was endorsed by the EU in December 2008.

IFRIC 15, “Arrangements for the construction of real estate”, provides further guidance over the application of IAS 11 “Construction Contracts”, and IAS 18, “Revenue”, to the construction of real estate. IFRIC 15 is effective for annual periods beginning on or after 1 January 2009. The Group does not currently expect this amendment to have a material impact on the financial position, results or cash flow. This interpretation has not yet been endorsed by the EU.

IFRIC 16, “Hedges of a net investment in a foreign operation”, clarifies the application of hedge accounting to a net investment in a foreign operation. IFRIC 16 is effective for annual periods beginning on or after 1 October 2008. The Group does not currently expect this amendment to have a material impact on the financial position, results or cash flow. This interpretation has not yet been endorsed by the EU.

IFRIC 17, “Distributions of non cash assets to owners”, clarifies how an entity should measure distributions of assets, other than cash, when it pays dividends to its owners. The interpretation states that 1) a dividend payable should be recognised when appropriately authorised, 2) it should be measured at the fair value of the net assets to be distributed, and 3) the difference between the fair value of the dividend paid and the carrying amount of the net assets distributed should be recognised in profit or loss. The Group is currently assessing the impact of this revision on the Group’s financial position, results of operations and cash flows. This interpretation is effective from 1 July 2009 and has not yet been endorsed by the EU.

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IFRIC 18, “Transfer of assets from customers”, clarifies the accounting for arrangements where an item of property, plant and equipment, which is provided by the customer, is used to provide an ongoing service. The interpretation applies prospectively to transfers of assets from customers received on or after 1 July 2009, although some limited retrospective application is permitted.

The Group is currently assessing the impact of this revision on the Group’s financial position, results of operations and cash flows. This interpretation is effective from 1 July 2009 and has not yet been endorsed by the EU.

## ITEM 6: DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### BOARD OF DIRECTORS

We are managed by our Board of Directors. The following sets forth information concerning each of the directors of the Company as of 26 March 2009.

References to the Board and Board appointments prior to 2 May 2008 refer to the Board of Cadbury Schweppes plc, the ultimate parent company of the Group prior to that date. On 2 May 2008, Cadbury plc became the new ultimate parent company by means of a Scheme of Arrangement, and all references after that date are to Cadbury plc unless otherwise indicated.

#### 1 Roger Carr † ‡

##### Chairman

**Term of office:** Appointed to the Board in January 2001, as Deputy Chairman and then Senior Independent Non-Executive Director in May 2003 and as Chairman of Cadbury plc in July 2008. Roger Carr was last re-elected in 2006 and is retiring by rotation and standing for re-election in 2009. He is Chairman of the Nomination Committee.

**Skills and experience:** Roger Carr's experience as both a Chairman and Chief Executive of other FTSE 100 companies enables him to provide highly valued advice and support to the executive management team of the Company. He is responsible for consulting with major UK shareholders on matters of corporate governance.

##### Other directorships and offices:

- Chairman of Centrica plc
- Non-Executive Director of The Bank of England
- Fellow of the Royal Society for the Encouragement of Arts, Manufacturers and Commerce
- Chairman of Mitchells & Butlers plc (2003–2008)
- Chairman of Chubb plc (2000–2002)
- Chairman of Thames Water plc (1998–2000)
- Chief Executive Officer of Williams plc (1994–2000)

#### 2 Todd Stitzer \*

##### Chief Executive Officer

**Term of office:** Appointed to the Board in March 2000, and as CEO in May 2003. Todd was last re-elected in 2006 and is retiring by rotation and standing for re-election in 2009.

**Skills and experience:** Todd joined Cadbury North America in 1983 as Assistant General Counsel and has gained extensive international experience in senior legal, marketing, sales, strategy development and general management roles within the Company. Todd was President & CEO of Dr Pepper/Seven Up, Inc. between 1997 and 2000 and Chief Strategy Officer between March 2000 and May 2003. Todd's business leadership, legal and commercial expertise make him well placed to lead the organisation as it delivers on its commitment to achieve superior shareholder performance through Vision into Action.

**Other directorships and offices:**

- Non-Executive Director of Diageo plc
- Director of Business in the Community

**3 Ken Hanna**

**Chief Financial Officer — to 3 April 2009**

**Term of office:** Appointed to the Board in April 2004. Ken was last re-elected in 2006. Ken has announced that he will retire as Chief Financial Officer in April 2009, and will be replaced by Andrew Bonfield.

**Skills and experience:** Ken has a broad range of experience gained while working as the Group Finance Director of United Distillers plc (1993–1997) and the Chief Executive Officer and Group Finance Director of Dalgety plc (1997–1999). He was also an Operating Partner at the private equity firm Compass Partners (1999–2004), focusing on consumer goods.

**Other directorships and offices:**

- Non-Executive Director of Inchcape plc

**4 Dr Wolfgang Berndt # † ‡**

**Independent Non-Executive Director**

**Term of office:** Appointed to the Board in January 2002. Wolfgang was last re-elected in 2008 and is not retiring or standing for re-election in 2009. He is Chairman of the Remuneration Committee.

**Skills and experience:** Wolfgang's broad range of executive and operational experience gained over a career managing consumer goods companies enables him to contribute significantly to the Board.

**Other directorships and offices:**

- Non-Executive Director of Lloyds Banking Group plc
- Non-Executive Director of Lloyds Bank plc
- Non-Executive Director of Bank of Scotland plc
- Non-Executive Director of HBOS plc
- Non-Executive Director of GfK AG
- Non-Executive Director of MIBA AG
- Non-Executive Director of Telekom Austria (2006–2008)
- President Global Fabric & Home Care sector of The Procter & Gamble Co (1998–2001)

**5 Guy Elliott # ‡ \***

**Senior Independent Non-Executive Director**

**Term of office:** Appointed to the Board in July 2007, and Senior Independent Non-Executive Director since July 2008, replacing Roger Carr. Guy was last re-elected in 2008 and is not retiring or standing for re-election in 2009. Guy has been Chairman of the Audit Committee since March 2008, and will be handing over the Chairmanship to Colin Day in April 2009.

**Skills and experience:** Guy has extensive financial and commercial experience, particularly in mergers and acquisitions, which enables him to contribute significantly to the Board.

**Other directorships and offices:**

Finance Director of Rio Tinto plc

**6 Lord Patten ‡ \***

**Independent Non-Executive Director**

**Term of office:** Appointed to the Board in July 2005. Lord Patten was last re-elected in 2008 and is not retiring or standing for re-election in 2009. He is Chairman of the Corporate and Social Responsibility Committee.

**Skills and experience:** Lord Patten's distinguished career in public office enables him to bring a great deal of experience and expertise to the Board, especially in the area of international relations.

**Other directorships and offices:**

- Chancellor of Oxford University
- Chancellor of Newcastle University
- Advisory Board member of Bridgepoint Capital Ltd
- Advisory Board member of AIG
- European Commissioner for External Relations (1999–2004)
- Governor of Hong Kong (1992–1997)

**7 Raymond Viault # † ‡**

**Independent Non-Executive Director**

**Term of office:** Appointed to the Board in September 2006. Raymond was last re-elected in 2007 and is not retiring or standing for re-election in 2009.

**Skills and experience:** Raymond's extensive international experience in confectionery, food and consumer products companies enables him to contribute significantly to the Board.

**Other directorships and offices:**

- Director of Safeway, Inc.
- Director of Newell Rubbermaid, Inc.
- Director of VF Corporation
- Vice Chairman of General Mills, Inc. (1996–2004)

## **8 Colin Day # ‡**

### **Independent Non-Executive Director**

**Term of office:** Appointed to the Board in December 2008. Colin is standing for election in 2009 at the first Annual General Meeting since his appointment. Colin will succeed Guy Elliott as Chairman of the Audit Committee in April 2009.

**Skills and experience:** Colin's extensive experience of consumer products and his strong focus on performance and execution enables him to add significantly to the skills and capabilities of the Board.

#### **Other directorships and offices:**

- Chief Financial Officer of Reckitt Benckiser Group plc
- Non-Executive Director of WPP Group plc
- Non-Executive Director of Imperial Tobacco plc (2005–2007)
- Non-Executive Director of EasyJet plc (2000–2005)
- Non-Executive Director of Bell Group plc (1999–2004)
- Non-Executive Director of Vero Group plc (1996–1998)
- Group Finance Director of Aegis Group plc (1995–2000)

## **9 Baroness Hogg # † ‡**

### **Independent Non-Executive Director**

**Term of office:** Appointed to the Board in October 2008. Baroness Hogg is standing for election in 2009 at the first Annual General Meeting since her appointment.

**Skills and experience:** With extensive experience of business, government and the media, Baroness Hogg brings a wealth of expertise to Cadbury.

#### **Other directorships and offices:**

- Chairman of 3i Group plc
- Senior Independent Non-Executive Director of BG Group plc
- Chairman of Frontier Economics Limited
- Deputy Chairman of the Financial Reporting Council
- Deputy Chairman of GKN plc (2001–2006)
- Head of the Prime Minister's Policy Unit (1990–1995)



## 10 Henry Udow

### Chief Legal Officer and Group Secretary

**Term of office:** Appointed Group Secretary in September 2007.

**Skills and experience:** Henry joined Cadbury North America in 1987 as Division Counsel & Assistant Secretary after working in private practice with the law firm of Shearman & Sterling in the US and UK. In 1991 he became Vice President, General Counsel & Secretary of Cadbury North America. In 1994 he moved to the UK to take up his role of Senior Vice President, Legal Director and General Counsel of Cadbury's Global Beverages business. In 2000 he became Mergers & Acquisitions Director, heading up all merger and acquisition activity for Cadbury. He was appointed Chief Legal Officer in 2005, heading up the Global Legal Function for the Cadbury Group.

## 11 Andrew Bonfield

### Chief Financial Officer — from 3 April 2009

**Term of office:** Joined the Company in February 2009. To be appointed to the Board in April. Andrew is standing for election in 2009 at the first Annual General Meeting following his appointment.

**Skills and experience:** Andrew has established a strong track record as an international and FTSE 100 CFO and will have a key role to play in sustaining the Company's focus on performance delivery.

### Other directorships and offices:

- Chief Financial Officer of Bristol-Myers Squibb (2002–2008)
- Non-Executive Director of ImClone Systems Inc (2007–2008)
- Non-Executive Director of BOC Group plc (2003–2006)
- Non Executive Director of BG Group plc (2000–2001) then Executive Director, Finance of BG Group plc (2001–2002)
- Chief Financial Officer of SmithKline Beecham plc (1998–2000)

Board Committee membership key

- 
- # Audit Committee
  - † Remuneration Committee
  - ‡ Nomination Committee
  - \* Corporate and Social Responsibility Committee

## UK corporate governance

This report has been prepared in accordance with the Code of Best Practice set out in section 1 of the June 2006 FRC Combined Code on Corporate Governance. The Group has complied with the code provisions of section 1 of the Code, and applied the main principles, and supporting principles, throughout the year except in the two minor instances explained below. We expect to comply fully with the Code (and apply the main principles and supporting principles) of the June 2008 FRC Combined Code on Corporate Governance (the "revised Code"), which takes effect for the financial year commencing 1 January 2009.

## Corporate governance report

The Board remains committed to the principles of good corporate governance and to achieving high standards of business integrity, ethics and professionalism across all our activities. The Board of Cadbury plc adopted a Statement of Corporate Governance Principles on 30 April 2008, which explains the principles that guide corporate governance for the Group and ensures that the Group acts in the best interests of its stakeholders. The Group also has both a Financial Code of Ethics (that applies to the Chief Executive Officer, Chief Financial Officer and senior financial officers in the Group) and a code of conduct (Our Business Principles) that apply at Board level and to all managers across the Group. All executive members of the Board, the CEC and the executive managers are required to confirm their compliance with Our Business Principles on an annual basis. We have established a confidential, all employee Speaking Up helpline available in most languages, enabling employees to report concerns of breaches of Our Business Principles or usual standards of good behaviour. The Statement of Corporate Governance Principles, Financial Code of Ethics and Our Business Principles are available on the Group's website, [www.cadbury.com](http://www.cadbury.com).

## Senior Management

The Senior Managers are the Executive Directors appointed to the Board and listed above and the members of the CEC as listed on page 72 under the section titled "Chief Executive's Committee".

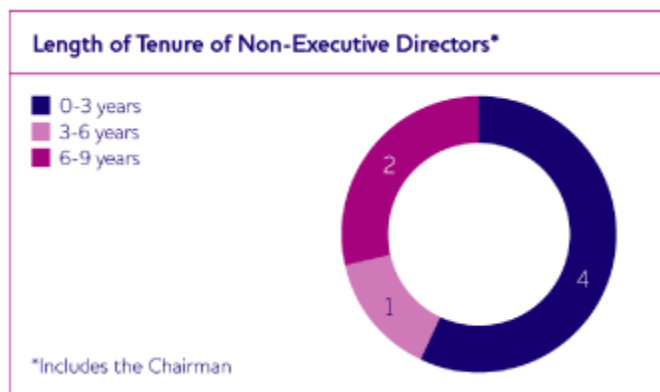
## The Board

At the date of this report, the Board has 9 members: the Chairman, two Executive Directors, and six Non-Executive Directors. All six Non-Executive Directors are deemed independent under the provisions of the Code. No individual or group of individuals dominates the Board's decision-making. Collectively, the Non-Executive Directors bring a wide range of international experience and expertise as they all currently occupy or have occupied senior positions in industry and public life, and as such each contributes significant weight to Board decisions.

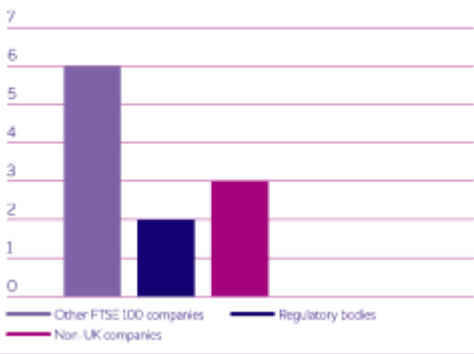
### Changes to the Board since 1 January 2008

David Thompson	Non-Executive Director	Resigned 8 March 2008
Sir John Sunderland	Chairman	Resigned 21 July 2008
Ellen Marram	Non-Executive Director	Resigned 30 September 2008
Sanjiv Ahuja	Non-Executive Director	Resigned 30 September 2008
Baroness Hogg	Non-Executive Director	Appointed 24 October 2008
Colin Day	Non-Executive Director	Appointed 1 December 2008
Bob Stack	Executive Director	Resigned 31 December 2008
Ken Hanna	Executive Director	Will resign 3 April 2009
Andrew Bonfield	Executive Director	To be appointed 3 April 2009

Sir John Sunderland was succeeded as Chairman by Roger Carr on 21 July 2008. Biographies of each of the Directors as at the date of this report, can be found on page 59.



**Board of Cadbury plc's Current External Appointments by Category**



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**Board meetings and attendance:** The attendance of the individual Directors at Board and Committee meetings during 2008 was as follows:

### Cadbury Schweppes plc

**Period covered: 1 January 2008–1 May 2008**

	Board Meetings	Committee Meetings			
		Audit	CSR	Nomination	Remuneration
<b>Number of meetings held during period</b>	<b>3</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>2</b>
Sir John Sunderland	3/3	—	—	1/1	—
Roger Carr	3/3	2/2	—	1/1	2/2
Todd Stitzer	3/3	—	—	—	—
Ken Hanna	3/3	—	—	—	—
Bob Stack	3/3	—	—	—	—
Sanjiv Ahuja	3/3	—	—	1/1	—
Dr Wolfgang Berndt	3/3	1/2	—	—	2/2
Guy Elliott	3/3	2/2	—	—	—
Ellen Marram	3/3	—	—	—	—
Lord Patten	3/3	—	—	1/1	—
David Thompson	2/2	2/2	—	—	1/1
Raymond Viault	2/3	1/2	—	1/1	2/2

### Cadbury plc

**Period covered: 2 May 2008-31 December 2008**

	Board Meetings	Committee Meetings				
		Strategy	Audit	CSR	Nomination	Remuneration
<b>Number of meetings held during period</b>	<b>5</b>	<b>1</b>	<b>2</b>	<b>2</b>	<b>2</b>	<b>3</b>
Sir John Sunderland	1/1	—	—	1/1	—	—
Roger Carr	5/5	1/1	—	—	2/2	3/3
Todd Stitzer	5/5	1/1	—	2/2	—	—
Ken Hanna	5/5	1/1	—	—	—	—
Bob Stack	5/5	1/1	—	2/2	—	—
Sanjiv Ahuja	2/3	—	—	1/1	—	—
Dr Wolfgang Berndt	5/5	1/1	2/2	—	—	3/3
Colin Day	1/1	—	—	—	—	—
Guy Elliott	5/5	1/1	2/2	—	—	—
Baroness Hogg	2/2	—	—	—	—	—
Ellen Marram	2/3	—	—	—	—	—
Lord Patten	5/5	1/1	—	2/2	2/2	—
Raymond Viault	5/5	1/1	2/2	—	2/2	2/3

Prior to 2 May 2008 when Cadbury plc became the ultimate parent company of the Cadbury Group by means of the Scheme of Arrangement, there were four additional board meetings held between 7 February 2008 (the date of incorporation of Cadbury plc) and 1 May 2008.

The two tables above show the number of meetings attended by the Director during the period against the number of meetings held during their Board/Committee membership.

### Role of the Board

The Board has responsibility for the overall management and performance of the Group and the approval of its long-term objectives and commercial strategy. Whilst the Board has delegated the overall operational management of the Group to the Chief Executive Officer, there is a formal schedule of matters reserved for the Board by which the Board oversees control of the Group's affairs. The Chief Executive Officer is supported by his Executive Committee. The Board is also assisted in carrying out its responsibilities by the various Board committees, including a Standing Committee consisting of any two Directors which deals with routine business between Board meetings: following a formal decision, the Board may also delegate authority to the Standing Committee to facilitate finalising matters within agreed parameters. The work of the Board committees is described on page 68.

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Senior executives below Board level attend certain Board meetings and make presentations on the results and strategies of their business units. Board members are given appropriate documentation in advance of each Board and Committee meeting. In addition to formal Board meetings, the Chairman and Chief Executive Officer maintain regular contact with all Directors and hold informal meetings with the Non-Executive Directors to discuss issues affecting the business.

**Independent professional advice:** The Board has approved a procedure for Directors to take independent professional advice at the Group's expense

Before incurring professional fees the Director concerned must consult the Chairman of the Board or two other Directors (one of whom must be the Senior Independent Non-Executive Director). Once professional fees reach £25,000 (and at £25,000 increments thereafter) further Board approval is required.

No such advice was sought by any Director during the year.

**Group Secretary:** The Group Secretary is responsible for advising the Board on all corporate governance matters, ensuring that all Board procedures are followed, ensuring good information flow, facilitating induction programmes for Directors and assisting with Directors' continuing professional development. All Directors have direct access to the advice and services of the Group Secretary. Any questions shareholders may have on corporate governance matters, policies or procedures should be addressed to the Group Secretary.

### **Board effectiveness**

The roles of the Chairman and Chief Executive Officer are separate and their responsibilities are clearly defined in writing and approved by the Board. The role of the Chairman is to lead and manage the Board. The Chief Executive is responsible for the leadership and overall operational management of the Group and execution of the strategy approved by the Board.

**Induction:** On joining the Board, Directors are given background information describing the Group and its activities. They receive an induction pack of information on our business. The pack includes guidance notes on the Group, the Group structure, its operations, information on corporate governance and brokers' reports. Meetings are arranged with the members of the CEC and other senior executives below Board level from each Group function, as well as some of our advisers. Appropriate visits are arranged to our sites. Meetings are also arranged with the Group departments who provide support to the relevant Board Committees that the Directors will serve on.

**Continuing professional development:** Training seminars are held for Board members at least annually. These formal sessions are in addition to written briefings to the Board on areas of regulatory and legislative change. Prior to the implementation of the Scheme of Arrangement by which Cadbury plc became the ultimate holding company in the Group, the Board received additional training on the Listing Rules (this is an FSA requirement prior to the initial listing of a company.) In October 2008, new provisions relating to conflicts of interests for Directors came into force — all Board members were briefed of their disclosure obligations and the change in the law in advance of these provisions taking effect. In December, the Board were briefed on the appropriate way to handle a hypothetical Speaking Up issue and internal fraud, as well as on the US Foreign Corrupt Practices Act.

**Evaluation:** During the year, with the assistance of an external consultant, Egon Zehnder, the Board reviewed and evaluated its performance alongside those of its Committees and individual Directors.

These reviews were conducted by way of detailed questionnaires, that were completed by Directors and followed by one to one interviews between Directors and the external consultant. Feedback on individual Directors was discussed with the Chairman and this in turn was followed by private feedback meetings between the Chairman and each of the Directors. A report on the performance of the Board as a whole and of the Board Committees was made to the Board by the external consultant at a meeting in April 2008 and the issues arising debated and considered at length.

A theme for development included the need to ensure continued Board unity and effectiveness and to develop further the open and constructive lines of communication both within the Board and between Board and Management that had proved successful during the year.

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Following these reviews the Board and its Committees concluded that they are operating effectively.

Going forward, the Board intends to continue to conduct evaluations annually employing the services of external consultants to assist the process where deemed appropriate.

### **External directorships for Executive Directors**

Subject to certain conditions, and unless otherwise determined by the Board, each Executive Director is permitted to accept one appointment as a Non-Executive Director of another listed company. The Board considers that Executive Directors can gain valuable experience and knowledge through such appointments. Bob Stack was allowed to accept a second appointment in the year due to his impending retirement.

Details of the fees received by the Directors for external appointments can be found under Management Compensation on page 85.

### **Disclosure and review of Directors' interests**

Directors are required to declare all appointments to the boards of, or relationships with, companies outside the Cadbury group and additionally to disclose any situations which could result in potential conflicts of interest. The Board has adopted processes and procedures to manage and, where appropriate, to approve such conflicts.

Following a review of Directors' interests undertaken in September 2008, the Board has concluded that there is currently no compromise to the independence of any Cadbury Director arising from an external appointment or any outside commercial interest.

### **The Chairman**

Following the resignation of Sir John Sunderland, Roger Carr was appointed Chairman of Cadbury plc in July 2008. On his appointment, Roger Carr met the independence criteria set out in the Code. Amongst Roger Carr's external appointments, he is also the Chairman of another FTSE 100 company. As a result, the recommendation under the Code that no individual should be appointed to a second chairmanship of a FTSE 100 company has not been met. (Under the revised Code, in effect from January 2009, the restriction against Chairmanships of two FTSE 100 companies is no longer in place.) As part of the appointment process, the time commitment required by this role was evaluated and reviewed against his external appointments. Prior to his appointment as Chairman of Cadbury plc, Roger Carr had served simultaneously as Chairman of two FTSE 100 companies, and has demonstrated his ability to fulfill the demands of both roles.

### **Senior Independent Non-Executive Director**

Roger Carr was the Senior Independent Non-Executive Director until July 2008. He was succeeded in this role by Guy Elliott. Guy's responsibilities include meeting major shareholders as and when requested and chairing meetings of the Non-Executive Directors without executive management or the Chairman being present.

### **Non-Executive Directors**

The Board reviews the independence of all Non-Executive Directors annually and has determined that all current Non-Executive Directors are independent and have no cross-directorships or significant links which could materially interfere with the exercise of their independent judgment.

We made no payments to third parties for any of the Non-Executive Directors' services.

**Terms of appointment:** Non-Executive Directors are appointed for an initial term of three years. Thereafter, subject to satisfactory performance, they may serve one or two additional three-year terms, with a thorough review of their continued independence and suitability to continue as Directors being undertaken if they are to remain on the Board for more than nine years. The terms and conditions of appointment for the Non-Executive Directors are summarised in the section on Management Compensation on page 85 and are available on request from the Group Secretary.

### **Meetings of Non-Executive Directors**

The Non-Executive Directors meet separately (without the Chairman being present) at least once a year principally to appraise the Chairman's performance. During 2008, they held one such meeting chaired by Guy Elliott and attended by all the Non-Executive Directors who were appointed at that date to appraise the performance of the Chairman, Roger Carr.

### **Key committees**

The terms of reference for all our committees are reviewed on a regular basis by the Board and were last reviewed in December 2008. Committees are authorised to obtain external legal or other independent professional advice if they consider it necessary to do so. The terms of reference of all of our committees are available on the website at [www.cadbury.com](http://www.cadbury.com).

### **Audit Committee**

The Combined Code recommends that the Board should establish formal and transparent arrangements for applying the financial reporting and internal control principles and for maintaining an appropriate relationship with the Company's external auditors.

**Role:** The Audit Committee is appointed by the Board from the Non-Executive Directors and is primarily responsible for:

- monitoring the integrity of the financial statements of the Group and reviewing significant reporting judgements;
- reviewing the Company's internal control and risk management systems;
- monitoring and reviewing the effectiveness of the Company's internal audit function;
- making recommendations to the Board in relation to the appointment of the external auditor;
- monitoring and reviewing auditor independence; and
- developing and implementing a policy on the engagement of the external auditor to supply non-audit services.

**Membership:** The Committee consists solely of independent Non-Executive Directors. The members of the Audit Committee since 1 January 2008 are:

- Guy Elliott (succeeded David Thompson as Chairman in March 2008);
- David Thompson (resigned in March 2008);
- Roger Carr (resigned in July 2008);
- Dr Wolfgang Berndt;
- Raymond Viault;
- Baroness Hogg (from 5 December 2008); and
- Colin Day (from 5 December 2008). Colin will succeed Guy as Chairman of the Audit Committee in April 2009.

All Committee members have extensive financial experience in large organisations. The Board has determined that Guy Elliott is the Audit Committee financial expert as defined by the US Securities and Exchange Commission.

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The composition and role of the Audit Committee is reviewed annually against the recommendations made in the FRC Guidelines on Audit Committees. Since the FRC Guidelines on Audit Committees recommend that the Chairman of a company should not be a member of the Audit Committee, Roger Carr resigned as a member of the Audit Committee on his appointment as Chairman and at the time of this report the Company complies with all the recommendations of the FRC Guidelines on Audit Committees.

Other than the Chairman of the Committee, as described in the Directors' Remuneration Report, members do not receive additional fees for serving on the Committee.

The Director of Group Secretariat is secretary to the Committee.

**Meetings:** The Committee met four times in 2008. Agendas are prepared by the secretary and approved by the Chairman and are aligned with events in the Group's financial calendar. The Audit Committee Chairman holds preparatory meetings with the Group's senior management, as appropriate, prior to Committee meetings. At the invitation of the Committee, the Chairman of the Board, Chief Executive Officer, Chief Financial Officer, Chief Legal Officer and Group Secretary, Corporate Finance Director, Director, Financial Control, Director of Business Risk Management and the external auditor attend meetings. All Directors have access to the minutes of all the Committee's meetings and are free to attend.

In addition, separate meetings are held with the external auditors and the internal auditors in the absence of Management.

**Activities:** During the year the Audit Committee's activities included:

- being responsible for all accounting matters and financial reporting matters prior to submission to the Board for their endorsement;
- monitoring the integrity of the Group's financial statements and ensuring that they meet the relevant legislative and regulatory requirements that apply to them, and are in accordance with accepted accounting standards;
- reviewing major changes in accounting policies and practices;
- reviewing the Group's internal controls and their effectiveness;
- reviewing the Group's statements and practices on internal controls (including section 404 Sarbanes-Oxley certification) and other aspects of corporate governance;
- reviewing the effectiveness of the external audit process,
- the Group's relationship with the external auditors including fees, and make recommendations on the appointment and dismissal of the external auditors;
- considering the annual report on internal audit and the effectiveness of internal control, reviewing the Group's internal audit process and the audit plan for the following year;
- reviewing the provision and scope of audit and non-audit work by the external auditor and the fees charged;
- receiving and reviewing reports from the Speaking Up programme (established to investigate in confidence complaints from employees and others);
- receiving and reviewing semi-annual reports on Group legal matters including litigation;
- receiving an annual review of the effectiveness of the Committee;
- reviewing corporate governance developments in the UK and US and the Group's response to these developments; and
- monitoring the Group's risk management and business ethics processes.



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Much of the Committee's work in 2008 centred on the demerger of the Americas Beverages business and the reporting and accounting implications of this and the Scheme of Arrangement which introduced Cadbury plc into the Group.

**External auditor independence:** The Committee ensures that the external auditor remains independent of the Group. In addition, the Committee receives written confirmation from the external auditor as to any relationships which may be reasonably thought to influence its independence. The external auditor also confirms whether it considers itself independent within the meaning of the UK and US regulatory and professional requirements, as well as within the meaning of applicable US federal securities laws and the requirements of the Independence Standards Board in the US.

**Non-audit services:** In line with the requirements of the US Sarbanes-Oxley Act 2002, Group policy prohibits the external auditor from carrying out certain categories of non-audit services. The list of such services may only be varied by the Audit Committee.

The external auditor is permitted to undertake some non-audit services, for example due diligence activities associated with potential acquisitions or disposals of businesses by the Group, but these services and their associated fees must be approved in advance by the Committee.

The pre-approval process enables the Committee to pre-approve the audit and non-audit service categories that can be provided by Deloitte LLP and agreed monetary amounts for each service category that can be provided by them, subject to a maximum individual engagement value. The service will continue to require specific pre-approval from the Audit Committee or the Audit Committee Chairman where requests for pre approvals either do not fall within pre-approved category limits, or where a service value exceeds the maximum individual engagement value. There will continue to be no de minimis amount.

**Evaluation of external auditors:** In appropriate circumstances, the Committee is empowered to dismiss the external auditor and appoint another suitably qualified auditor in its place. The re-appointment of the external auditor is submitted for approval annually by the shareholders at the Annual General Meeting.

To assess the effectiveness of the external auditors, the Audit Committee reviewed:

- the arrangements for ensuring the auditor's independence and objectivity;
- the external auditor's fulfilment of the agreed audit plan;
- the robustness and perceptiveness of the auditors in their handling of the key accounting and audit judgements; and
- the content of the external auditor's reporting on internal control.

As part of the decision to recommend to the Board the re-appointment of Deloitte LLP, the Committee has taken into account the tenure of the auditors and considered whether there should be a full tender process. There are no contractual obligations restricting the Committee's choice of external auditors.

As a consequence of its satisfaction with the results of the activities reviewed above, the Audit Committee has recommended to the Board that a resolution proposing the re-appointment of Deloitte LLP as external auditors be put to shareholders at the Annual General Meeting.

Details of the fees paid to the external auditors in 2008 can be found at Note 6 in the financial statements.

**Internal Audit function:** The Audit Committee assists the Board in fulfilling its responsibilities relating to the adequacy of the resourcing and plans of the Internal Audit department. In doing this the Committee reviewed:

- Internal Audit's remit, reporting lines and access to the Audit Committee and all members of the Board;
- Internal Audit's plans and its achievement of the planned activity;

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- the results of key audits and other significant findings, the adequacy of Management's response and the speed of resolution; and
- the level and nature of non-audit activity performed by Internal Audit.

**Overview:** As a result of its work during the year, the Audit Committee has concluded that it has acted in accordance with its terms of reference and has ensured the independence and objectivity of the external auditors.

### **Nomination Committee**

The members of this Committee since 1 January 2008 are:

- Roger Carr (succeeded Sir John Sunderland as Chairman in July 2008);
- Sir John Sunderland (resigned in July 2008);
- Sanjiv Ahuja (resigned in September 2008)
- Dr Wolfgang Berndt (from 5 December 2008)
- Colin Day (from 5 December 2008)
- Guy Elliott (from 5 December 2008)
- Baroness Hogg (from 5 December 2008)
- Lord Patten; and
- Raymond Viault.

Dr Wolfgang Berndt (prior to joining the Committee), David Thompson (until his retirement as a Director), the Chief Executive Officer and Chief Human Resources Officer attend meetings at the invitation of the Chairman of the Committee. The Chief Legal Officer and Group Secretary or his designate also attends and is secretary to the Committee. This Committee is empowered to bring to the Board recommendations regarding the appointment of any new executive or Non-Executive Director, provided that the Chairman, in developing such recommendations, consults all Directors and reflects that consultation in any recommendation of the Nomination Committee. The Committee ensures that a review of Board candidates is undertaken in a disciplined and objective manner.

The Nomination Committee is also responsible for succession planning for the Board. The Board as a whole is responsible for development plans, including the progressive refreshing of the Board, which are reviewed on an annual basis. The plans involve an annual objective and comprehensive evaluation of the balance of skills, knowledge and experience of the Board.

During 2008, the Committee met three times to review succession planning, the appointment of a new Chairman and a new Senior Independent Non-Executive Director, the appointments of Baroness Hogg and Colin Day as new Non-Executive Directors and Andrew Bonfield as the new Chief Financial Officer. Roger Carr became Chairman of this Committee in July 2008, after he had been appointed Chairman of Cadbury plc. Before July 2008, this Committee was chaired by Sir John Sunderland and Roger Carr was a member. Sir John did not chair the Committee when it dealt with the appointment of his successor and Roger Carr did not participate in the discussions relating to his own appointment. External search consultants were engaged to produce a list of candidates for the appointments noted above. These lists were then reduced to a short list of candidates which was discussed between the Chairman and the other members of the Nomination Committee. The Directors then met the preferred candidates and their nominations were presented to the Board for approval at its next meeting.

### **Remuneration Committee**

Details of the Remuneration Committee and its policies, together with the Directors' remuneration, emoluments and interests in the Company's share capital, are on page 75.

### **Corporate and Social Responsibility Committee**

The members of this Committee since 1 January 2008 who are also directors are:

- Lord Patten (Chairman);
- Sir John Sunderland (resigned in July 2008)
- Sanjiv Ahuja (resigned in September 2008);
- David Thompson (resigned in March 2008);
- Bob Stack (resigned in December 2008)
- Guy Elliott (from 5 December 2008); and
- Todd Stitzer.

At the invitation of the Chairman, Raymond Viault, Dr Wolfgang Berndt, Roger Carr and the Chief Legal Officer and Group Secretary attend meetings, together with the relevant executives and managers from the business. The Head of Corporate Responsibility is secretary to the Committee.

This Committee focuses on corporate and social responsibility matters in relation to the environment, employment practices, health and safety, equal opportunities and diversity, community and social investment, ethical trading and human rights, and other aspects of ethical business practice. Further details of the Group's approach to corporate and social responsibility matters can be found on pages 22 to 24 and in the Company's biennial Corporate Responsibility and Sustainability Review.

### **Chief Executive's Committee**

The members of this Committee are:

Amit Banati, Trevor Bond, Andrew Bonfield (from February 2009), James Cali, James Chambers, Tony Fernandez, Marcos Grasso, Ken Hanna (until 3 April 2009), Anand Kripalu, Lawrence MacDougall, David Macnair, Bharat Puri, Mark Reckitt, Tamara Minick-Scokalo, Chris Van Steenberg, Todd Stitzer (Chairman) and Henry Udow.

As a result of the new reporting structure from four regions to seven business units as described on page 14, three members left the Committee in 2008 (Matthew Shattock, Steve Driver and Rajiv Wahi).

The Director of Group Secretariat also attends meetings and is secretary to the Committee.

The CEC reviews major operational and management issues including monthly financial results and forecasts, and proposals for capital expenditure.

### **Relations with shareholders**

Our shareholders are very important to us. All shareholders receive regular communications from the Group and a full Annual Report is available by election or on request. Regular trading updates are published via the London Stock Exchange and by press release, and appear on our website. Presentations and webcasts on the development of the business are available on the website.

## **Annual General Meeting (“AGM”)**

The Board views the AGM as an opportunity for individual shareholders to question the Chairman, and through him the chairmen of the various Board Committees and other Directors.

Under the Code, the Notice of the AGM and any related papers should be sent to the shareholders at least 20 working days before the meeting. For the 2008 AGM, due to the strict timelines that had to be adhered to for the completion of the demerger, this requirement of the Code was not complied with. Shareholders were notified of the shortened notice period in the demerger documentation that was sent to them and on the Company’s website. The minimum statutory notice period of 21 clear days was adhered to.

Directors are submitted for election by the shareholders at the first AGM following their appointment. All Directors should be subject to re-election by shareholders at intervals of no more than three years.

Details of the meeting and the resolutions to be proposed together with explanatory notes are set out in the Notice of Meeting which is sent to shareholders. Shareholders attending will be advised of the number of proxy votes lodged for each resolution, in the categories “for” and “against”, together with the number of “votes withheld”. All resolutions will be voted on by poll, the results of which will be announced to the London and New York Stock Exchanges.

## **Institutional investors**

Meetings with institutional investors are undertaken at Board level on a day-to-day basis by the Chief Executive and Chief Financial Officer. The Senior Independent Non-Executive Director and other members of the Board are also available to meet major shareholders on request. The Chairman contacts the top 10 shareholders each year with an offer to meet them. As part of his role as the Senior Independent Non-Executive Director, Guy Elliott is also available to shareholders when contact with the Executive Directors or the Chairman may not be appropriate. The Chief Executive Officer and Chief Financial Officer meet with institutional investors in the UK, the US and Continental Europe on a regular basis.

The Directors are supported by our Investor Relations department (IR), which is in regular contact with institutional investors, analysts and brokers. The IR team also undertook roadshow and one to one meetings with investors. An IR report is produced for each Board meeting: this includes direct feedback from institutional investors provided by our external advisors including Goldman Sachs, UBS and Makinson Cowell. Additional feedback is also collected directly by IR, typically at the request of investors. In addition, the Board commissions an annual independent audit of institutional investors’ views on our management and strategy. These measures ensure Board members develop a balanced understanding of the issues and concerns of our major shareholders.

## **Internal control**

The Directors have responsibility for the system of internal control that covers all aspects of the business and is part of an ongoing risk management process. In recognition of that responsibility, the Directors set policies and seek regular assurance that the system of internal control is operating effectively. Strategic, commercial, operational, financial and EHS risk areas are all within the scope of these activities which also include identifying, evaluating and managing the related risks.

The Directors acknowledge their responsibility for the system of internal control and for reviewing its effectiveness. However, the Directors are aware that such a system cannot totally eliminate risks and thus there can never be an absolute assurance against the Group failing to achieve its objectives or a material loss arising.

The key elements of the system may be described as the control environment, and this is represented by the following:

- the key business objectives are clearly specified at all levels within the Group’s “Purpose and Values”, a framework for our strategic intent, and “Our Business Principles”, a set of guidelines on legal compliance and ethical behaviour, which are distributed throughout the Group;
- the organisation structure is set out with full details of reporting lines and accountabilities and appropriate limits of authority for different processes;

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- procedures to ensure compliance with external regulations;
- the network of disclosure review committees which exists throughout the Group (described below);
- procedures to learn from control failures and to drive continuous improvement in control effectiveness;
- a wide range of corporate policies deal, amongst other things, with control issues for corporate governance, management accounting, financial reporting, project appraisal, environment, social responsibility, health and safety, information technology, and risk management generally;
- individual business units operate on the basis of multi-year contracts with monthly reports on performance and regular dialogues with Group senior management on progress;
- on an annual basis the CEC, Audit Committee and then the Board consider and agree the major risks facing the business and these risks are used to focus and prioritise risk management, control and compliance activities across the organisation. The key risks facing the Group are summarised on pages 7 to 10;
- various internal assurance departments, including Group Audit, carry out regular reviews of the effectiveness of risk management, control and compliance processes and report their findings to the business unit involved as well as to Group Management and the Audit Committee; and
- the Audit Committee approves plans for control self-assessment activities by business units and regions as well as the annual Group Audit activity plan. The Committee also deals with significant issues raised by internal assurance departments or the external auditors.

The management of all forms of business risk continues to be an important factor in the creation and protection of value for our shareholders. The processes involved a call for the identification of specific risks that could affect the business, the assessment of those risks in terms of their potential impact and the likelihood of those risks materialising. Decisions are then taken as to the most appropriate method of managing them. These may include regular monitoring, investment of additional resources, transfer to third parties via insurance or hedging agreements and contingency planning. For insurance, there is a comprehensive global programme which utilises an internal captive structure for lower level risks and the external market only for cover on major losses. Hedging activities relate to financial and commodity risks and these are managed by the Group Treasury and Procurement departments with external cover for the net Group exposures (see pages 53 to 54).

All business units are required to regularly review their principal business risks and related strategies (i.e. the chosen management methods). The internal assurance departments and other Group functions report on any further business risks evident at a regional, global or corporate level. Regional and global status reports assessing the extent to which all major risks have been effectively mitigated are prepared every six months and are reviewed by the Audit Committee. A structure of central Group and regional risk and compliance committees came into operation from January 2007. The internal controls system was reviewed in 2008 in the light of the Flint Guidance and best practice generally.

The Group also established in 2002 a network of disclosure review committees (DRC) throughout the organisation. The Group DRC, chaired by the Chief Legal Officer and comprising senior executives at and below Board level, reviews financial and trading statements and releases, and the verification process which underpins these. Meetings are attended by the Group's external auditors, and UK and US legal advisors. It ensures that such statements and releases are accurate and complete and comply with all relevant legislation and regulation. Each region and function is required to have its own DRC reporting to the Group DRC to ensure that interim and full year financial reporting is accurate and that all matters which may be material to the Group as a whole have been reported to the Board. The Group DRC reports its findings to the Audit Committee and through that Committee to the Board.

At the year end, the Group's only significant associate is Camelot, which is managed in line with its shareholder agreement. Other associates that have contributed to the Company's results are detailed in Note 35 on page F-68.

See “Item 15: Controls and Procedures” for information regarding the Group’s disclosure controls and procedures and the Group’s internal control over financial reporting as defined under the Sarbanes-Oxley Act and related rules promulgated by the SEC.

**Auditor Liability**

Under the Companies Act 2006, a company’s auditors are permitted to negotiate to limit the liability of the auditors to an amount which is fair and reasonable in all the circumstances. Any arrangement should be agreed annually and approved by the shareholders at the AGM. Cadbury plc has not entered into such an agreement with its auditors.

**MANAGEMENT COMPENSATION**

This report describes the current arrangements for the remuneration of Executive Directors and, where relevant, other Board members and senior executives, as agreed by the Remuneration Committee (“the Committee”) in 2008. Except as detailed below, these arrangements are likely to continue to apply in future years, unless there are specific reasons for change, in which case shareholders will be informed appropriately. All references to the Group prior to 2 May 2008 mean, unless indicated otherwise, the combined confectionery and beverages group, the ultimate parent company of which was Cadbury Schweppes plc. All references to the Group from that date onwards mean, again unless indicated otherwise, the confectionery only group, the ultimate parent company of which is Cadbury plc.

In 2008 Group Management and employees performed well against the stretching performance targets expected of the Group. It was also a year of significant change as we demerged our Americas Beverages operations, signed a conditional agreement for the sale of our Australian Beverages business and reorganised our management structure. These changes and the challenging macro-economic environment ensured that the Committee spent a considerable amount of time considering remuneration issues, including both current and future incentive plans, and performance targets to support the new purely confectionery Group. Furthermore, the Committee needed to find a fair way of valuing the then current active incentive plans which were based on the performance of a combined confectionery and beverages group, how best to treat the employees who were staying with the business, and those who were leaving.

The new incentive plans implemented in 2008 and the treatment of the then current active incentive plans were overwhelmingly supported by shareholders at the General and Annual General Meetings held in April 2008. The Committee are not suggesting any changes to them at this time, but are mindful of the need in times of economic turbulence to keep remuneration systems under review in order to provide the appropriate level of challenge and incentivisation.

Consistent with its recognition of current economic conditions, the Committee accepted Management’s recommendation that in this environment, salary increases for Executive Directors and senior executives are inappropriate in 2009. Accordingly, such salaries will be maintained at 2008 levels throughout 2009.

The Committee met on five occasions in 2008. As well as dealing with the effects that the events discussed earlier had on the remuneration policy, the Committee also noted, as part of its broader oversight of remuneration in the Group, individual grants made under our international share award plans. It also considered and approved, amongst other things:

- a review of Senior Executive Remuneration strategy and design, which had already been scheduled for 2008;
- the Directors’ Remuneration Report for 2007;

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- a review of base salary and other compensation elements of the Executive Directors' remuneration;
- Annual Incentive Plan awards and share based grants made and paid out in 2008 to the Executive Directors and members of the CEC; and
- performance measures' weights, targets and allocation guidelines for cash and share based remuneration for the 2008 financial year.

Many of these matters involved extensive shareholder consultation, and during this consultation the Committee was asked to look again at the 40% service match in the Bonus Share Retention Plan, which is explained below in greater detail. Having reviewed the plan in the context of overall executive remuneration, it was decided that removing the match would result in a reduction in the expected value of the long-term plans the Group operates.

Also, as noted below, two Executive Directors, Todd Stitzer and Bob Stack, were paid in US Dollars. As a result, the significant change in the US Dollar-Pound Sterling exchange rate in favour of the US Dollar in 2008 has had notable impact on some of the remuneration numbers for them when reported in Pounds Sterling.

This report has been prepared in accordance with Schedule 7A to the Companies Act 1985. It also meets the requirements of the Listing Rules of the Financial Services Authority and the Combined Code on Corporate Governance issued by the Financial Reporting Council in 2006 ("the Code") relating to Directors' remuneration. The Act required the Company's auditors to report to the Company's members on certain parts of the Directors' Remuneration Report and to state whether in their opinion those parts of the report have been properly prepared in accordance with the Companies Act 1985. The Report has therefore been divided into separate sections for audited and unaudited information.

The Board has delegated to the Committee authority to review and approve the annual salaries, incentive arrangements, service agreements and other employment conditions for the Executive Directors, and to approve awards under our share based plans. The Committee is tasked with ensuring that individual rewards are linked to performance and aligned with the interests of the Company's shareholders. This requires that cost effective packages are provided which are suitable to attract and retain Executive Directors of the highest calibre and to motivate them to perform to the highest standards. The Committee also oversees remuneration arrangements for our senior executives to ensure they are also aligned with shareholder interests. The terms of reference of the Committee are available for inspection on our website.

### **Remuneration Committee members and advisers**

In 2008 the Committee consisted of:

- Dr Wolfgang Berndt (Chairman of the Committee)
- Roger Carr
- David Thompson (resigned 8 March 2008)
- Raymond Viault
- Baroness Hogg (appointed 5 December 2008)

Mr Carr excepted, all are independent Non-Executive Directors, and all were members of the Board and Committee at the year-end other than as indicated. No other person was a member of the Committee at a time when any matter relating to the Executive Directors' remuneration for 2008 was considered.

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No Committee member has any personal financial interest (other than as a shareholder), conflicts of interest arising from cross-directorships, or day-to-day involvement in running the business. Other Directors and employees who attended some or all of the meetings and who provided material advice or services to the Committee during the year were:

- Sir John Sunderland    Chairman until 21 July 2008
- Todd Stitzer            Chief Executive Officer
- Bob Stack                Chief Human Resources Officer
- Ken Hanna                Chief Financial Officer
- Ellen Marram            Non-Executive Director
- Don Mackinlay          Global Remuneration and Benefits Director
- John Mills                Director of Group Secretariat and Secretary to the Committee
- Liz Spencer              International Rewards Director
- Henry Udow                Chief Legal Officer and Group Secretary

Don Mackinlay, John Mills, Liz Spencer and Henry Udow were appointed by the Company and have the appropriate qualifications and experience to advise the Committee on relevant aspects of our policies and practices, and on relevant legal and regulatory issues. The Company appointed, and the Committee sought advice from, Slaughter and May and the Committee appointed and sought advice from PricewaterhouseCoopers LLP in respect of the changes to reward arrangements. Representatives from PricewaterhouseCoopers LLP have attended meetings of and provided advice to the Committee. This advice included information on the remuneration practices of consumer products companies of a size and standing similar to those of the Company, including competitors and other businesses which trade on a worldwide basis.

Slaughter and May advised the Committee on legal and regulatory issues and provided advice on a broad range of legal issues to the Group during 2008.

PricewaterhouseCoopers LLP also provided a broad range of tax, share scheme and advisory services to the Group during 2008.

### **Remuneration policy principles**

Our remuneration policy for executives, including Executive Directors, is based on the following core principles:

- base salary between median and upper quartile of the Company's comparator group and at upper quartile for consistently strong or outstanding individual performance;
- a portfolio of incentives and rewards balance the achievement of short and long-term business objectives;
- payments under the performance related elements of our incentive plans based on the measurable delivery of widely used and understood metrics (calculated at constant currency);
- total remuneration potential designed to be competitive in the relevant market, thereby enabling us to attract and retain high calibre executives;
- significant opportunities to acquire Cadbury shares, consistent with building a strong ownership culture; and
- Executive Directors expected to meet a share ownership requirement set at four times base salary.

Where salaries are set at more than median, this reflects strong performance by the individual concerned over a number of years and other individual factors, such as their attractiveness to other potential employers and the difficulty in replacing them were they to leave the Group.



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The share ownership guidelines noted above are at the top end of such requirements for companies in the FTSE 100 and also apply to senior executives within the Group, with a range for them of one to three times salary, depending on their level in the organisation. New appointments are given a period of three to five years in which to satisfy this requirement. All the Executive Directors who served in the year exceeded the requirement.

### Changes to reward arrangements

As already mentioned, the Committee undertook a fundamental review of remuneration policy and all incentive plans in 2008. Changes were approved at the 2008 Annual General Meeting and have improved our existing plans by:

- strengthening the link with shareholder value creation by referencing a more industry focused peer group when determining salaries;
- ensuring that incentive awards are more closely aligned with the Group's strategic objectives and shareholder value creation, and enhancing relevance by introducing new and more stretching performance measures:
- for the Annual Incentive Plan (AIP), a simultaneous improvement in revenue (NSV) growth and trading margin in the year must be achieved;
- for the BSRP performance match (explained below), simultaneous improvement in revenue growth and trading margin over a period of three years is required;
- the Long Term Incentive Plan (LTIP) now requires simultaneous improvement in Underlying Earnings Per Share (UEPS) and Return on Invested Capital (ROIC) rather than measuring Total Shareholder Return (TSR) against an industry comparator group. LTIP was also made available to more employees in the Group, and the maximum potential LTIP award was increased to 300% of base salary for the Chief Executive Officer and 200% for all other Executive Directors. The normal grants are 200% and 160% respectively; and
- simplifying the arrangements to make them more relevant to participants and to shareholders.

### Effect of the corporate reconstruction and demerger of Americas Beverages

As a result of the Scheme of Arrangement which resulted in Cadbury plc replacing Cadbury Schweppes plc as the new holding company of the Group and the subsequent demerger of Americas Beverages, the publicly traded shares of the Group were restructured with 100 Cadbury Schweppes plc shares being exchanged for 64 Cadbury plc ordinary shares and 12 common stock in Dr Pepper Snapple Group, Inc. (the "exchange ratio").

In consequence, share options and awards were recalculated to ensure that in the new structure they had an equivalent value at the point of exchange (being 2 May 2008) to the original share options and awards. The formula applied was agreed in advance with HM Revenue and Customs (HMRC) in the UK in respect of UK approved share option plans and, in the interests of fairness, was therefore used consistently across all share options and awards.

As the Americas Beverages operations were such a substantial part of the Group, the Committee, on professional advice, decided to test all share awards still subject to a performance measure at the time of demerger to determine their value, as the measures would no longer be relevant for a stand-alone confectionery business. The performance targets were measured using a widely accepted methodology called the Fair Value approach. This used a valuation model which took into account actual performance to separation and then assessed the probability of different eventual outcomes at the original end date of the performance period of an award. The value of these potential outcomes was averaged to provide a figure that reflects the overall worth of the award at that point in time, including recognition that the award is deferred and will still be released at the normal time and subject to the normal employment conditions. For the LTIP and BSRP cycles which were outstanding at the time of the demerger, the results of this valuation were as follows:

Plan	Cycle	Measure	Fair Value before exchange ratio
LTIP	2003–2005	TSR	2.02%
LTIP	2006–2008	Combined TSR and UEPS targets	52.78%
LTIP	2007–2009	Combined TSR and UEPS targets	67.83%
BSRP	2006–2008	Underlying Economic Profit	68.69%
BSRP	2007–2009	Underlying Economic Profit	92.71%

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The Fair Value percentage was applied to the maximum original award over Cadbury Schweppes plc shares, and the size of the award reduced accordingly. The HMRC agreed formula was then applied to the sum total of Cadbury Schweppes plc plan shares to arrive at the size of the award of Cadbury plc shares which will vest at the relevant vesting date. The principles underpinning these recalculations were approved by shareholders at the 2008 Annual General Meeting.

### Overview of remuneration elements for executives including Executive Directors

Element	Objective	Performance period	Performance conditions for awards
Base salary (see page 81)	Reflects market value of role and individual's skills and experience	Not applicable	Reviewed annually, following external benchmarking and taking into account individual performance and the increases awarded to other employees
Annual Incentive Plan (AIP) (see page 81)	Incentivises delivery of performance goals for the year	One year	For 2008 awards, performance targets were based on a matrix requiring simultaneous improvement in revenue growth and trading margin. There was also an element related to key performance indicators and personal objectives. For 2009, performance targets for awards will be based 70% on a revenue/margin matrix, 20% on a cash flow measure and 10% on non-financial measures
Bonus Share Retention Plan (BSRP) Note: This is a voluntary investment programme (see page 82)	Incentivises sustained annual growth. Aids retention of executives. Supports and encourages share ownership	Three years	Voluntary deferral of AIP with an additional match. Continued employment results in a match of 40%, and performance targets (based on a matrix requiring simultaneous improvement in revenue growth and trading margin) can result in an additional match of 60%
Long Term Incentive Plan (LTIP) (see page 83)	Incentivises long-term value creation. Aids retention of executives	Three years	Performance targets are based on a matrix requiring simultaneous improvement in Underlying Earnings Per Share (UEPS) and Return On Invested Capital (ROIC)

Whether particular performance conditions are met is assessed with reference to our Annual Accounts or to external data which is publicly available. These methods have been chosen as they are or can be independently audited. Remuneration received in respect of each of these elements by the Executive Directors is shown on pages 85 to 92. Directors and executives also have interests in Discretionary Share Option Plans granted in previous years, see page 90.

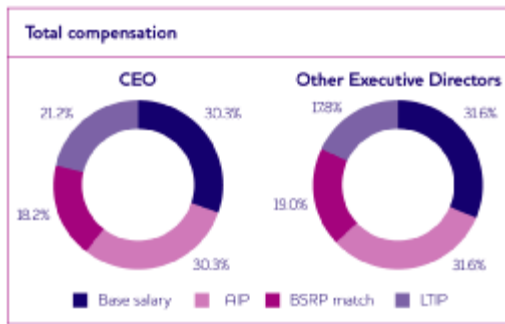
### Share-based awards and dilution

We ensure that the aggregate of all share-based awards which use newly issued shares does not exceed the guidelines laid down by the Association of British Insurers (ABI). These guidelines provide that options issued to employees under the Company's all employee schemes should not exceed an aggregate amount equal to 10% of the Company's issued share capital, and options issued to employees under the Company's discretionary schemes should not exceed 5% of such sum. The available dilution capacity on this basis expressed as a percentage of the Company's total issued ordinary 10p share capital on the last day of each of the last five financial years was as follows:

Outstanding capacity	2004	2005	2006	2007	2008
For all employee Schemes	4.53%	4.58%	5.27%	6.42%	4.54%
For discretionary Schemes	1.75%	1.74%	2.36%	3.38%	2.45%

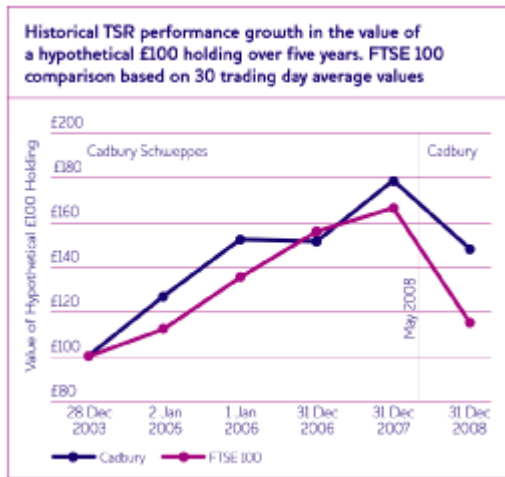
## Balance between fixed and variable pay

Around 70% of each Executive Director's remuneration is variable and is linked to performance. The performance conditions for each variable element are the same for each Executive Director, although the quantum will vary. The following chart shows the fixed (base salary only) and variable elements of the remuneration package for Executive Directors for 2008 and 2009 assuming the target (AIP only) and expected value levels of remuneration are achieved:



## Performance graph

The following graph shows the Company's performance (Cadbury Schweppes plc for periods prior to 2 May 2008) measured by total shareholder return (TSR) for the five years to 31 December 2008 compared with the TSR performance of the FTSE 100 companies over the same period. The graph takes into account the Scheme of Arrangement by which Cadbury plc replaced Cadbury Schweppes plc as the ultimate parent company in the Group in May 2008. TSR is the product of the share price plus reinvested dividends. The FTSE 100 index has been selected for this comparison because it is the principal index in which the Company's shares are quoted. TSR was used as a performance measure for LTIP grants prior to 2008 but was measured against an international peer group chosen to reflect the global nature of our business. The graph has been prepared in accordance with the Companies Act 2006 and is not an indication of the likely vesting of awards granted under any of the Company's incentive plans.



## Service contracts

All Executive Directors have contracts which are terminable by the Company giving one year's notice, or by the Executive Director giving six months' notice. These contracts expire at the end of the month in which the Executive Director attains age 65, although where the Director is a member of a Company pension plan, their normal retirement age for the purposes of their membership of those plans is 60. The contracts include provisions relating to non-competition and non-solicitation. These provisions state that if the Executive Director leaves voluntarily he will not, for a period of one year after leaving, be engaged in or concerned directly or indirectly with a predetermined list of companies which are in competition with the Company. Also, the Executive Director agrees for a period of two years after termination of employment not to solicit or attempt to entice away any employee or Director of the Company.

In the case of contracts entered into before 2009, if the Executive Director's employment is terminated without cause, or if the Executive Director resigns for good reason, payment of 12 months' base salary and target AIP will be made, together with benefits for up to 12 months, or for a shorter period if the Executive Director secures new employment with equivalent benefits. If it is not possible or practical to continue benefits for one year they will be paid in cash. For contracts with new Executive Directors from 2009 onwards, and in the case of Mr Andrew Bonfield (Chief Financial Officer), if employment is terminated without cause or if the Executive Director resigns for good reason, phased payments for up to 12 months calculated on base salary and target AIP would be payable instead, less any notice period served within that 12 month period. Furthermore, if Mr Bonfield undertakes other employment as defined in his contract, amounts received will be offset against these payments.

There would be no special payments to Directors made after a change in control of the Company. The BSRP and LTIP provisions which apply on a change of control or termination of employment are shown in the relevant sections of this report.

Under his secondment arrangements, Todd Stitzer is entitled to six months' employment with his employing company in the USA if there are no suitable opportunities for him when his secondment ends. Bob Stack, who resigned as a Director with effect from 31 December 2008, had a similar arrangement and consequently will continue to be remunerated in respect of his employment for the period from 1 January to 30 June 2009. All the Executive Directors' contracts are 12 month rolling contracts, and accordingly, no contract has a fixed or unexpired term. The Executive Directors' contracts are dated 1 July 2004 in the case of Bob Stack and Todd Stitzer, Ken Hanna's is dated 1 March 2004, and Andrew Bonfield's is dated 19 February 2009. Ken Hanna has resigned as a Director with effect from 3 April 2009, and Andrew Bonfield has been appointed as a Director with effect from 3 April 2009. Since Mr Hanna is retiring, he will not receive any payments in connection with the termination of his employment.

## Salaries and benefits in kind for Executive Directors

In setting the base salary of each Executive Director, the Committee takes into account market competitiveness and the performance of each individual Executive Director, any changes in position or responsibility and pay and conditions throughout the Group. This structure takes account of the reward structure in place for executives below Board level, and that used by comparable companies, which for these purposes are FTSE 100 and global consumer goods companies with broadly similar market capitalisation or turnover or both, significant international exposure and geographic relevance which manufacture and brand food, beverage or tobacco products.

In 2008, the rate of base salary increases for Executive Directors was between 5% and 5.4%, dependent upon their individual performance. These percentage increases were within a range used for all employees in the UK who are not subject to collective bargaining agreements. Salaries received by the Executive Directors in the 2008 financial year are shown on page 86. Salaries paid to Todd Stitzer and Bob Stack were paid in US dollars, and the sterling amounts shown in this report have been calculated at the average exchange rate for 2008. Because of movements in the US Dollar:Pound Sterling exchange rate in favour of the US Dollar in 2008, annual changes in salaries and other elements of compensation for these Directors will appear higher than the percentages shown above. In addition to base salary, the Executive Directors also receive benefits in kind as described in the notes to tables two and three below. The Committee has reviewed Executive Directors' salaries and has decided there will be no increases in 2009.

## Annual Incentive Plan (AIP)

Annual incentive targets are set each year to take account of current business plans and conditions, and there is a threshold performance below which no award is paid. AIP awards are based on financial tests, subject to appropriate adjustments, and achievement against key performance indicators and personal objectives as determined by the Committee. Executive Directors are eligible to receive up to 200% of base salary based upon a combination of quantitative financial measures, key performance indicators and personal objectives as determined by the Committee for each plan year. In 2008, awards were based on a matrix requiring simultaneous improvement in revenue growth and trading margin with an element related to key performance indicators and personal objectives. If targets were only achieved at the expense of lowering returns on total invested capital, the Committee reserved the right to reduce AIP payments accordingly. For 2008, the maximum award was weighted 75% on the delivery of the matrix of growth in revenue and trading margin and 25% on key performance indicators and personal objectives. The key performance indicators and personal objectives element of AIP was not eligible for inclusion in the BSRP. The 2008 award for Executive Directors for financial performance was 146.5% of base salary, and an average of 47.6% of base salary for the achievement of key performance indicators and personal objectives which related to the creation of the stand-alone confectionery business.

AIP awards to Executive Directors for 2008 were therefore as follows:

	Total (as a % % of base salary)	Percentage of total relating to:	
		Revenue growth/ Trading margin matrix	Key performance indicators and personal objectives
2008	194.1%	75.5%	24.5%

An extract from the 2008 AIP financial matrix is shown below with the 2008 award marked with a spot. Performance was assessed including Australia Beverages:

Trading Margin Growth bp p.a.	Revenue Growth p.a.			
	4.0%	5.0%	6.0%	7.0%
120	100%	110%	120%	130%
130	110%	120%	130%	140%
140	120%	130%	140%	150%
150	130%	140%	150%	160%

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In 2007, AIP awards totalled 155.3% of base salary. 68% of the award related to Group performance in terms of revenue growth and UEP and 32% to personal objectives. AIP received by the Executive Directors in respect of the 2008 financial year is shown on page 86.

The matrix structure has been chosen to incentivise simultaneous and strong improvement in revenue growth and trading margin. It has been set to reward Management's performance in achieving the targets set out in the Company's Vision into Action plan for the confectionery business announced in June 2007. To achieve threshold vesting (20% of AIP), performance will have to be above the prior year. The Committee will ensure that environmental, social and governance (ESG) risks are not raised by the incentive structure inadvertently motivating irresponsible behaviour.

For 2009, performance targets for awards will be based 70% on a revenue/margin matrix, 20% on a cash measure and 10% on non-financial measures, which can include ESG issues. This is a change to the anticipated measures for 2009 AIP which were for 20% of the award to be based on non-financial measures. The increased importance of cash management in the current economic environment resulted in the Committee deciding to make this a specific measure for AIP in 2009. Disclosure of the performance matrix is not provided due to commercial sensitivity.

### Bonus Share Retention Plan (BSRP)

The BSRP is a voluntary bonus deferral plan with an additional matching award, and is an essential element of our total reward programme. It has been a key factor in helping and encouraging executives to meet the share ownership guidelines that we apply.

The BSRP was available in 2008 to a group of approximately 120 senior executives (including the Executive Directors) and aims to encourage participants to reinvest their AIP award into the Company's shares thereby more closely aligning the interests of management and shareholders. The matching award is subject to both continued employment and performance. No dividends or dividend equivalents are paid. The maximum matching award is 100% of the amount invested. As in previous years, 40% of the matching award vests after three years based on continued employment, with up to 60% then dependent on performance targets based on a matrix requiring simultaneous improvement in revenue growth and trading margin. The service match is included in the vesting table shown below, and is not subject to performance conditions as BSRP is a voluntary plan requiring investment of AIP earned by an employee for up to three years with a risk of forfeiture during the three year performance period. As explained above, the use of the service match was re-considered and re-affirmed in 2008.

Awards under the BSRP will vest in full following a change in control or termination without cause but only to the extent that performance targets have been met at the time of the relevant change in circumstances, unless the Committee decides that the awards would have vested to a greater or lesser extent had the performance targets been measured over the normal period. Based on the first year of its performance period, the 2008–2010 cycle is currently expected to result in around 70% of the matching shares available vesting. AIP awards received by the Executive Directors in respect of the 2008 financial year and reinvested into the BSRP are shown on pages 86 to 88.

As agreed at the 2008 Annual General Meeting, awards from 2008 above the 40% threshold are based on simultaneous improvement in revenue growth and trading margin. The performance matrix remains the same as for 2008-2010. It reflects a longer term view to 2011 and has been calibrated with reference to the Vision into Action plan forecasts for the business and the actual and forecast performance of competitors. Awards above the threshold will only vest if Group performance exceeds analysts' current forecasts for the Group. The table below shows the percentage of maximum matching awards that can be earned.

Trading Margin Growth bp p.a.	Revenue growth p.a. (Compound Annual Growth Rate 2009–2011)					
	0.0%	4.0%	4.5%	5.0%	5.5%	6.0%
0	40%	40%	40%	40%	40%	40%
60	40%	40%	45%	50%	55%	60%
75	40%	50%	55%	60%	65%	70%
90	40%	60%	65%	70%	75%	80%
110	40%	70%	75%	80%	85%	90%
125	40%	80%	85%	90%	95%	100%

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There is a straight line vesting scale between these percentages once threshold of revenue growth of 4% pa and trading margin growth of 60 bp pa has been exceeded.

The Committee will review the matrix for each new performance period to ensure that the calibration remains appropriate. In the current volatile economic climate, the Committee may need to revisit the 2009-11 matrix to ensure it provides the appropriate balance between stretching targets and motivation of participants.

### Long Term Incentive Plan (LTIP)

Around 120 senior executives (including the Executive Directors) were granted a conditional award of shares under the LTIP in 2008. This award recognises the significant contribution they make to shareholder value and is designed to incentivise them to strive for sustainable long-term performance. Details of the Directors' LTIP interests are set out in the table on page 88. As approved by shareholders in 2008, a UEPS and ROIC matrix measured over three years is now used, because there is a strong correlation between combined UEPS and ROIC improvement and shareholder value. This aligns incentives with our strategic agenda and financial plan that underpin the Vision into Action plan. UEPS and ROIC also have a clearer line of sight for management than the measures previously used. In accordance with ABI guidelines, participants also accumulate dividend equivalent payments on the conditional share awards (which will only be paid to the extent that the performance targets are achieved). The dividend equivalent payments are then used to buy shares for the participants on the vesting date. Awards to the CEO from 2008, and until further notice, are 200% of base salary, and 160% for other Executive Directors.

Awards under the LTIP will vest in full following a change in control or termination without cause, but only to the extent that performance targets have been met at the time of the relevant change in circumstances unless the Committee decides that the awards would have vested to a greater or lesser extent had the performance targets been measured over the normal period. There are no re-tests and the awards will lapse if the minimum requirements are not met in the initial three year performance period. The 2008–2010 cycle is currently expected to pay around 70% of the maximum award available.

In line with the intention highlighted in the 2007 report, the Committee has reviewed performance criteria for the new cycle of the LTIP starting in 2009 in order to ensure that the calibration remains appropriate in terms of balancing the motivation of participants with the interests of shareholders.

The Committee has concluded, after a thorough assessment of the economic, financial and trading environment facing the Company over the 2009–11 performance period, that the matrix below provides the appropriate balance. In the current volatile economic climate, however, the Committee may need to revisit the calibration of the 2009–11 matrix in the future. The table below shows the percentage of the 2009 award which will vest if performance is as shown.

ROIC Increase bp p.a.	UEPS growth p.a. (CAGR 2009–2011)					
	10.0%	12.0%	14.0%	16.0%	18.0%	20.0%
20	20%	23%	26%	30%	40%	50%
40	23%	40%	50%	50%	60%	70%
60	26%	50%	60%	70%	80%	90%
80	30%	50%	70%	80%	90%	100%
100	30%	50%	70%	90%	100%	100%
120	30%	50%	70%	100%	100%	100%

LTIP awards for 2008 were based on a matrix similar to that for 2009–2011, with potential vesting ranging from 20% of the award for a ROIC increase of 20 bp pa and UEPS growth of 13% pa, to 100% for up to 120 bp pa increase in ROIC and UEPS growth of 23% pa. The Committee will review the matrix for each new performance period to ensure that the calibration remains appropriate.



## Discretionary Share Option Plans (DSOPs)

DSOP grants are not currently part of the Group's incentive programme and a grant will not be made unless it would be appropriate in the circumstances or general market conditions change. No rights to subscribe for shares or debentures of any Group company were granted to or exercised by any member of any of the Directors' families during 2008. The exercise of all existing DSOP options which apply to Executive Directors was subject to real compound annual growth in UEPS being at least 4% for half the award to vest and 6% real growth for the entire award to vest over three years, measured by comparison to the UEPS in the year immediately preceding grant. All options granted achieved their UEPS targets and vested in full.

## Other share option plans

Each Executive Director also has the opportunity to participate in the savings-related share option scheme operated in the country in which his contract of employment is based. Further details on these share plans are provided in Note 26 to the financial statements.

## Retirement benefits

We operate a number of retirement benefit programmes throughout the world. Such benefits reflect local competitive conditions and legal requirements. In recent years our Executive Directors have either been eligible for or participated in one of three schemes:

- a cash allowance programme which provides for payment of 30% of base salary in lieu of a pension contribution, disability benefits and life insurance cover. Mr Hanna participates in this programme;
- the UK pension scheme, which provides for a pension of 66% of pensionable earnings (base salary plus AIP payment, limited to 20% of base salary averaged over three years) after 20 years' service with a 60% spouse's pension and an annual increase of the pension in payment. On retirement, UK executives have the option to take a tax free lump sum and a reduced pension. The scheme is now closed to new members and no current Executive Director participates in this scheme. Sir John Sunderland, who retired as a Director on 21 July 2008, was a participant;
- the US pension scheme, which consists of the US cash balance plan, excess pension plan and supplemental executive retirement plan (SERP). These are calculated in US dollars, reflect annual adjustments in salary and provide that all of any incentive awards under AIP are pensionable in line with normal practice in that country. The benefit is calculated based on a single life annuity without pension in payment increases or spouse's pension and is generally paid in the form of a taxable lump sum on retirement. The overall benefit under these arrangements is a maximum of 60% of final average earnings after 25 years' service. Mr Stack and Mr Stitzer participate in these arrangements, which are now closed to new members.

*Currency impact:* In 2008, a significant currency depreciation of the UK pound against the US dollar resulted in a larger than normal increase in the value of reported pension benefits for Mr Stack and Mr Stitzer of 36% in each case. Further details of these arrangements are set out on page 89.

## Executive Directors' outside appointments

We recognise the benefits to the individual and to the Company of involvement by Executive Directors as non-executive directors in companies outside the Group. Subject to certain conditions, and with the approval of the Board, each Executive Director is normally permitted to accept only one appointment as a non-executive director in another company. In 2008, Bob Stack was allowed to accept a second appointment in view of his impending retirement as an Executive Director. The Executive Director is permitted to retain any fees paid for such service. Details of fees received by Executive Directors in 2008 are as follows:

Ken Hanna	£54,000	(Inchcape plc)
Bob Stack	£59,308	(J Sainsbury plc)
	£24,750	(IMI Plc)
Todd Stitzer	£71,250	(Diageo plc)



**Chairman and Non-Executive Directors**

Unless otherwise determined by the Board, Non-Executive Directors are appointed for terms of three years with a maximum term of nine years. All the Directors listed below were appointed for three year terms expiring on the dates shown. Fees for Non-Executive Directors are determined by the Board within the limits set by the Articles of Association.

Non-Executive	Date of initial appointment to Board	Expiry date of current term
Dr Wolfgang Berndt	17 Jan 2002	18 Feb 2011
Roger Carr	22 Jan 2001	20 July 2011
Colin Day	1 Dec 2008	1 Dec 2011
Guy Elliott	27 July 2007	27 July 2010
Baroness Hogg	24 Oct 2008	24 Oct 2011
Lord Patten	1 July 2005	1 July 2011
Raymond Viault	1 Sep 2006	1 Sep 2009

To ensure that the interests of the Non-Executive Directors are aligned with those of the shareholders, all Non-Executive Directors have chosen to utilise a percentage of their fees (between 12% and 100%) to purchase shares in the Company, which are bought within five business days of each relevant payment. Each Non-Executive Director has undertaken to hold such shares during the term of his or her appointment. The Non-Executive Directors do not have service contracts with the Company. Fees for the independent Non-Executive Directors were reviewed in 2008 but were not increased at that time (they were last increased in October 2006). Following an independent review of the fees and their benchmarking against those paid by other companies of a similar size, the fees will be adjusted to those shown below with effect from 1 April 2009, which will bring them into line with the median of current market rates. They will not be increased again before 2011.

Non-Executive Director – Non-US based	£60,000 per year
Non-Executive Director – US based	\$150,000 per year
Additional fees for positions held are:	
Chairman	£390,000 per year
Senior Independent Director	£15,000 each year
Chair of Audit Committee	£20,000 per year
Chair of Corporate and Social Responsibility Committee	£15,000 per year
Chair of Nomination Committee	Included in Chairman's fee
Chair of Remuneration Committee	£15,000 per year

Roger Carr, Chairman, is provided with a car and driver for business purposes as required.

**Directors' remuneration tables**

In the following tables, references to CEC members means the individuals who are members of the CEC (our senior management) but who are not Executive Directors. Remuneration shown for the CEC includes remuneration paid to the individuals who left the CEC as part of their termination packages. In 2008, there were a maximum of 14 individuals at any one time who were members of the CEC but who were not Executive Directors.

**Directors' remuneration summary (table one)**

	2008 £000	2007 £000
Total remuneration:		
Fees as Directors	894	960
Salaries and other benefits	3,271	3,300
Annual Incentive Plan/Bonus Share Retention Plan awards (a)	4,920	3,566
Gains on share plans	3,302	2,196
Pensions paid to former Executive Directors	35	34

**Notes**

- (a) These amounts relate to the Annual Incentive Plan awards for each year. The total shown includes the service related match to be awarded under the Bonus Share Retention Plan to each Director based on the AIP award which they have invested in 2009 and which will vest (normally) in three years' time. The performance related matching award is shown in table five.

**Executive Directors' and CEC members' remuneration (table two)**

	Base salary £000	Allowances (a) £000	Other benefits (b) £000	2008 AIP/BSRP (c) £000	total £000	2007 total £000
Ken Hanna	633	215	—	1,233	2,081	1,743
Bob Stack (d)	525	296	124	1,022	1,967	1,856
Todd Stitzer (d)	985	260	188	2,665	4,098	3,243
CEC members (f) (g)	3,464	1,782	914	6,879	13,039	11,056

**Directors' and CEC members' gains on share plans (table three)**

	BSRP performance awards earned in 2008 (c) £000	LTIP awards earned in 2008 (c) £000	Gains on exercise of share options £000	2008 total £000	2007 total £000
Ken Hanna (e)	114	420	258	792	526
Bob Stack	100	361	955	1,416	728
Todd Stitzer	180	670	230	1,080	772
Sir John Sunderland	—	14	—	14	170
CEC members (f)	506	1,915	210	2,631	3,519

**Notes to tables two and three above**

- (a) The majority of the amount shown as Allowances for expatriate Directors (Bob Stack and Todd Stitzer) and expatriate CEC members relates to income tax payments. Where taxation rates in their home country are lower than in the host country (eg US versus UK), individuals are protected from a higher tax burden by means of a tax equalisation programme funded by the Company. Under this programme, we pay an amount equal to the incremental tax resulting from the assignment of individuals. This ensures that they are not penalised financially by accepting roles of an international nature which would result in higher taxation costs than would have been the case if they had remained in their home country. Due to the nature of taxation payments, some of the amounts shown are in respect of previous financial years which can create distortions when assessing year on year movements. For all Directors and CEC members, Allowances include flexible benefits and car allowances. Ken Hanna's Allowances include an amount equal to 30% of his base salary in lieu of a pension contribution, disability benefits and life cover.
- (b) Other benefits include company cars and, for expatriates, housing support and other allowances necessary to ensure that they are not penalised financially by accepting roles of an international nature which result in higher costs than would have been the case if they had remained in their home country.
- (c) The total AIP award shown was awarded in respect of 2008 performance. Todd Stitzer is the only Director eligible to participate in BSRP and will invest 100% of his AIP in the BSRP on 4 March 2009. The amount shown includes the service related matching award to be awarded under the BSRP. The performance related conditional matching awards are shown in table five. The AIP and BSRP are described on pages 81 to 83. BSRP and LTIP awards earned in 2008 will vest on 4 March 2009. These awards were fair valued at the time of the demerger of the Americas Beverages, as described on page 78. The value shown in table three is based on an indicative share price of £5.12, the mid-market price of a share on the London Stock Exchange on 17 February 2009.

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- (d) Todd Stitzer's and Bob Stack's base salaries, AIP and other benefits are calculated and paid in US dollars. Their base salaries are: Todd Stitzer – US\$1,821,312; (2007: US\$1,726,000) Bob Stack – US\$971,154 (2007: US\$919,000).
- (e) Ken Hanna was granted a restricted ISAP award in March 2004 over 225,000 shares, 75,000 shares of which vested on 26 March 2008. The mid-market price on that date of a Cadbury Schweppes plc share was £5.72.
- (f) For cash based remuneration, the aggregate amounts shown for the CEC are only those amounts paid to individuals whilst they were CEC members. Share based remuneration is based on the full year, and includes ISAP awards released during the year.
- (g) In addition, payments were made in connection with the cessation of employment of some CEC members. In 2008, these totalled £6,331,000 (2007: £2,008,000).

### Non-Executive Directors' fees and benefits (table four)

	Other benefits (b) £000	Board fee £000	Fee for chairing a committee £000	2008 total £000	2007 total £000
Sanjiv Ahuja (a)	—	41	—	41	55
Dr Wolfgang Berndt	3	55	13	71	64
Roger Carr	—	80	179	259	105
Colin Day (a)	—	5	—	5	—
Guy Elliott	—	55	21	76	24
Baroness Hogg (a)	—	10	—	10	—
Ellen Marram (a)	—	55	—	55	52
Lord Patten	—	55	10	65	65
Sir John Sunderland (a)	32	31	192	255	401
David Thompson (a)	—	10	3	13	70
Raymond Viault	10	79	—	89	80

### Notes

- (a) Baroness Hogg was appointed as a Non-Executive Director on 24 October 2008 and Colin Day was appointed as a Non-Executive Director on 1 December 2008. David Thompson resigned as a Director on 8 March 2008, Sir John Sunderland on 21 July 2008 and Sanjiv Ahuja and Ellen Marram resigned as Directors on 30 September 2008.
- (b) Other benefits were travel allowances for certain Non-Executive Directors. None of the Non-Executive Directors (other than Sir John Sunderland) received any other emoluments during the 2008 financial year.

### Executive Directors' and CEC members' performance related interests in the Bonus Share Retention Plan (table five)

This table shows the maximum performance related matching award granted to each Director in respect of the investment made of AIP awards in the BSRP.

	Maximum performance related award in respect of AIP earned in 2005 to 2007 (a)	Maximum performance related award in respect of AIP earned in 2008 (b)	Shares vested in respect of AIP earned in 2005 (c)	Interest in shares lapsed in respect of AIP earned in 2005 (d)	Total of maximum performance related awards in respect of AIP earned in 2006 to 2008 (e)
Ken Hanna	58,311	—	22,217	—	36,094
Bob Stack	93,843	—	19,444	—	74,399
Todd Stitzer	174,619	206,473	35,173	—	345,919
CEC members	645,346	477,056	98,850	193	1,023,359

**Notes**

- (a) The monetary value of the service-related awards for previous BSRP cycles is included in the AIP/BSRP awards shown in tables one and two in previous years' reports. The interests shown in this table are performance related awards shown at their maximum number for the 2006–2008, 2007–2009 and 2008–2010 cycles. These awards were originally made in Cadbury Schweppes plc shares and exchanged for Cadbury plc shares in May 2008. The maximum awards for the 2006–2008 and 2007–2009 cycles were fair valued at the time of the demerger as explained on page 78 and reduced accordingly.
- (b) Performance related matching awards are made in March in respect of the previous year's AIP investment (i.e. in March 2009 for 2008 AIP). Shares purchased by Todd Stitzer for the 2009–2011 cycle using his AIP investment were due to be acquired on 4 March 2009 at a price of £5.43 per share as follows: 344,123 shares. The service related award for this cycle is 137,649 shares.
- (c) The mid-market price of a Cadbury Schweppes plc share on 4 March 2006 when the awards were made was £5.87. These awards will vest on 4 March 2009. The awards were fair valued at the time of the demerger. Qualifying conditions for these awards are set out on page 82.
- (d) No awards lapsed for the 2006–2008 cycle as the shares that vested represented the maximum available following the demerger. For CEC leavers who left during the year, a proportion of shares lapsed in accordance with the rules of the plan.
- (e) All awards are in shares. Qualifying conditions for the awards shown above have to be fulfilled by 31 December 2011 at the latest.

**Directors' and CEC members' interests in the Long-Term Incentive Plan (table six)**

	Interest in shares at 31 December 2007 (a)	Interest in shares awarded in 2008 (b)	Shares vested (c)	Interest in shares lapsed (d)	Interest in shares at 31 December 2008 (e)	2004–2006 Dividend shares awarded and vesting (f)
Ken Hanna	185,097	156,935	78,818	—	263,214	3,125
Bob Stack	155,681	122,869	67,610	—	210,940	2,872
Todd Stitzer	291,217	287,797	125,548	—	453,466	5,319
Sir John Sunderland (g)	2,760	—	2,760	—	—	—
CEC members	879,719	810,469	364,623	1,967	1,323,598	9,353

**Notes**

- (a) Interests at 31 December 2007 are potential interests shown at their maximum number in respect of the extended 2003–2005 cycle, and the 2006–2008 and 2007–2009 cycles. These awards were originally made in Cadbury Schweppes plc shares and exchanged for Cadbury plc shares in May 2008. The maximum awards for these cycles were fair valued at the time of the demerger as explained on page 78 and reduced accordingly.
- (b) The interests in shares awarded in 2008 relate to the 2008–2010 cycle. The mid-market price on 14 May 2008 when these awards were made was £6.47. The criteria under which these awards would vest in full are explained on page 83.
- (c) Shares due to vest on 4 March 2009 are in respect of the extended 2003–2005 and the 2006–2008 cycles. These awards were fair valued at the time of the demerger. The mid-market price of a Cadbury Schweppes plc share on 4 March 2003 and 4 March 2006 when the awards were made were £3.24 and £5.87 respectively.
- (d) No awards lapsed in respect of the extended 2003–2005 and the 2006–2008 cycles as the shares that vested represented the maximum awards following the demerger. For CEC leavers who left during the year, a proportion of shares lapsed in accordance with the rules of the plan as a result of their leaving before the end of the cycle.
- (e) Interests as at 31 December 2008 are potential interests shown at their fair value for the 2007–2009 cycle, and their maximum number in respect of the 2008–2010 cycle. The current status of the 2008–2010 cycle is shown on page 83.
- (f) Dividend shares are in respect of awards released from trust in 2008 in respect of the 2004–2006 cycle, paid in accordance with ABI guidelines.
- (g) Sir John Sunderland's employment as an Executive Director ceased on 24 August 2005. The awards shown are in respect of the extended 2003–2005 cycle.
- (h) All awards are in shares. Qualifying conditions for the awards shown above have to be fulfilled by 31 December 2010 at the latest.

**Executive Directors' pensions and retirement benefit arrangements (table seven)**

Ken Hanna receives an amount equal to 30% of his base salary in lieu of a pension contribution, disability benefit and life cover.

**US pension arrangements in £ at a rate of US\$1.46/£1 (a)**

	Accrued pension at 1 January 2009 £000 (b)	Increase in accrued pension during the year £000 (d)	Transfer value of accrued pension at 1 January 2009 £000 (c)	Transfer value of accrued pension at 1 January 2008 £000	Increase in transfer value over the year, less Directors' contributions £000 (c)	Increase in accrued pension during the year (net of inflation) £000 (d)	Transfer value of the increase in accrued pension (net of inflation) less Directors' contributions £000
US pension arrangements							
Bob Stack	707	132	7,988	5,808	2,180	118	1,334
Todd Stitzer	1,476	276	14,990	11,184	3,806	246	2,502

**Notes**

- (a) Both Mr. Stack and Mr. Stitzer, given the nature of their employment relationships as expatriates, participate in US pension arrangements calculated in US dollars as described on page 84. The transfer values for both 2008 and 2007 and accrued pensions shown are stated at the 2008 year-end exchange rate of US\$1.46/£1, while the 2007 year-end rate for the disclosure in the 2007 Report & Accounts was US\$1.98/£1. The impact of a significant movement in exchange rates, together with the impact of the AIP award paid in 2008, results in a compound increase in reported transfer values from those disclosed in 2007 of 87% for Mr. Stack and of 82% for Mr. Stitzer. For Mr. Stack, 38% related to the actual increase in the transfer values (see below) and 36% to the impact of currency exchange rate movements. For Mr. Stitzer, 34% related to the actual increase in transfer values and 36% to exchange rate movements. The non-exchange rate related movements are explained in notes (c) and (d) hereafter. The accrued pensions as shown in the 2007 Report & Accounts, if restated at the 2008 year end exchange rates, would be as follows: Mr. Stack: £572,000, Mr. Stitzer: £1,196,000.
- (b) The accrued pensions represent the amount of the deferred pension that would be payable from the member's normal retirement date on the basis of leaving service at the relevant date.
- (c) The transfer values have been calculated in accordance with the guidance note GN11: Retirement Benefit Schemes – Transfer values published by the Institute of Actuaries and Faculty of Actuaries, and by reference to investment market conditions at the relevant date. Under the Stock Exchange Listing Rules, the transfer value of the increase in accrued pension has been calculated using the same methodology. During the year, the transfer value in respect of Mr Stack (in US\$ terms) increased by 38%. This increase was due to the increase in the value of the pension (23%), explained below, movements in market conditions and changes in the actuarial basis (15%). In respect of Mr Stitzer the increase in the transfer value was 34% for similar reasons.
- (d) The accrued pension benefits for Mr Stack and Mr Stitzer increased (in US\$ terms) by 23% from the year-end 2007 to year-end 2008. For Mr Stack, 4% of the increase was due to an increase in his average base salary, 16% was due to an increase in his average AIP due to the Group's strong performance and 3% was due to his normal annual accrual under the SERP. For Mr Stitzer, 5% was due to an increase in his average base salary, 17% was due to an increase in his average AIP and 1% for his normal annual accrual under the SERP.
- (e) The aggregate amount set aside in 2008 to provide for pensions and post retirement medical benefits for the Executive Directors and CEC members was £2.0 million. This consists of approved pension arrangements of £0.9 million, unapproved pension arrangements of £1.1 million and post retirement medical benefits of £4,687. Arrangements made in local currencies were converted using the 2008 year-end spot rate.

**Directors' and CEC members' options over ordinary shares of 10p each (table eight)**

Name of Director and Scheme	As at 1 January 2008	Exercised (d)	As at 31 December 2008	Exercise price £	Market price at exercise date (e) £	Gain made on exercise £000 (f)	Exercisable from	to
<b>Ken Hanna</b>								
SOP94 (a)	112,211	112,211	—	4.732	7.05	258	27 Mar 2007	26 Mar 2014
SOP04 (b)	184,028	—	184,028	4.896			28 Aug 2007	27 Aug 2014
SOP04 (b)	179,540	—	179,540	5.854			2 Apr 2008	1 Apr 2015
SAYE (c)	4,218	—	4,218	3.917			1 Feb 2010	31 Jul 2010
	479,997	112,211	367,786					
<b>Bob Stack</b>								
SOP94 (a)	224,425	—	224,425	4.556			2 Sep 2003	1 Sep 2010
SOP94 (a)	224,425	—	224,425	5.314			1 Sep 2004	31 Aug 2011
SOP94 (a)	224,425	224,425	—	5.375	6.90	337	24 Aug 2005	23 Aug 2012
SOP94 (a)	224,425	224,425	—	3.916	6.62	619	10 May 2006	9 May 2013
SOP04 (b)	158,892	—	158,892	4.896			28 Aug 2007	27 Aug 2014
SOP04 (b)	136,001	—	136,001	5.854			2 Apr 2008	1 Apr 2015
	1,192,593	448,850	743,743					
<b>Todd Stitzer</b>								
SOP94 (a)	246,867	—	246,867	5.314			1 Sep 2004	31 Aug 2011
SOP94 (a)	269,310	—	269,310	5.375			24 Aug 2005	23 Aug 2012
SOP94 (a)	448,850	150,000	298,850	3.916	5.57	230	10 May 2006	9 May 2013
SOP04 (b)	293,547	—	293,547	4.896			28 Aug 2007	27 Aug 2014
SOP04 (b)	254,946	—	254,946	5.854			2 Apr 2008	1 Apr 2015
	1,513,520	150,000	1,363,520					
CEC members (d)	3,636,724	41,293	3,595,431	4.94	6.38	59	27 Mar 2002	25 Nov 2015

**Notes**

No payment was made on the granting of any of these options and none of the terms and conditions relating to these options have been varied.

- (a) Share Option Plan 1994.
- (b) Share Option Plan 2004.
- (c) Savings-Related Share Option Scheme 1982.
- (d) No options lapsed during the year and no options were granted during the year in respect of Directors. 3,315 options in all-employee plans were granted to CEC members, and 3,372 options lapsed during the year. The exercise price shown is the weighted average exercise price of the options exercised in the year.
- (e) The market price of an ordinary share on 31 December 2008 (the last dealing day in the financial year) was £6.05. The highest and lowest market prices of an ordinary share in Cadbury plc in the year were £7.05 and £4.53 respectively.
- (f) Where some or all of the shares were sold immediately after the exercise of an option, the gain shown is the actual gain made by the Director or CEC member. If some or all of the shares were retained, the gain is a notional gain calculated using the market price on the date of exercise. When an option was exercised or shares were sold in parts on a number of different days in the year, the gain shown is the aggregate gain from all those exercises.
- (g) All the above awards were originally made in Cadbury Schweppes plc shares, exchanged for options over Cadbury plc shares at the time of the demerger, as explained on page 78.

**Share ownership (table nine)**

	Cadbury Schweppes plc		Cadbury plc	
	As at 1 January 2008 (or date of appointment if later)	As at 1 May 2008 (or date of resignation if earlier)	As at 2 May 2008 (or date of appointment if later)	As at 31 December 2008 (or date of resignation if earlier)
Sanjiv Ahuja (a)	7,930	10,783	6,901	8,058
Dr Wolfgang Berndt	86,733	89,811	57,478	60,843
Roger Carr	55,792	60,175	38,512	42,874
Colin Day (b)	n/a	n/a	—	—
Guy Elliott	2,356	4,933	3,157	6,485
Ken Hanna (c) (d)	623,617	596,922	414,139	414,336
Baroness Hogg (b)	n/a	n/a	—	—
Ellen Marram (a)	1,880	4,808	3,076	4,480
Lord Patten	9,837	12,348	7,902	10,602
Bob Stack (a) (d)	954,441	1,039,861	714,552	525,338
Todd Stitzer (d)	822,363	860,029	642,059	642,059
Sir John Sunderland (a) (d)	787,594	784,594	502,138	427,138
David Thompson (a)	51,198	52,613	n/a	n/a
Raymond Viault	15,372	18,300	11,712	14,138
CEC members (d) (e)	1,758,163	2,181,339	2,057,053	2,129,115

**Notes**

To accurately reflect the share ownership for each Director, as shown in the Register of Directors' Interests, the holdings for each Director in tables eight and nine should be added together. Cadbury Schweppes plc shares were listed on the London Stock Exchange until 1 May 2008. Cadbury plc shares were listed on the London Stock Exchange from 2 May 2008.

- (a) The following Directors resigned during the year: David Thompson on 8 March 2008, Sir John Sunderland on 21 July 2008, Ellen Marram and Sanjiv Ahuja on 30 September 2008, Bob Stack on 31 December 2008.
- (b) Baroness Hogg was appointed as a Non-Executive Director on 24 October 2008 and Colin Day was appointed as a Non-Executive Director on 1 December 2008.
- (c) Ken Hanna was granted a restricted ISAP award in March 2004 over 225,000 shares, 75,000 shares of which vested on 26 March 2008. The mid-market price of a Cadbury Schweppes plc share on that date was £5.72. Ken Hanna's shareholding shown above includes the final tranche of 75,000 of these restricted shares, vesting in March 2009.
- (d) Holdings of ordinary shares include shares awarded under the BSRP and the all-employee share incentive plan and LTIP shares held in trust. Shares held in trust for the BSRP and LTIP were converted from Cadbury Schweppes plc shares using the formula agreed with HMRC (see page 78).
- (e) Shareholdings of CEC members also include restricted or conditional share awards, the release of which is dependent upon specified conditions.

**Employees**

Average employee headcount	2008	2007	2006
<b>BIMA</b>	11,478	14,041	14,309
Europe	9,603	9,099	9,148
Americas Confectionery	14,168	14,484	14,568
Asia Pacific	10,547	12,036	11,611
Central	721	805	761
Continuing operations	46,517	50,465	50,397
Discontinued operations	8,227	21,192	16,614
<b>Total</b>	<b>54,744</b>	<b>71,657</b>	<b>67,011</b>



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The average employee headcount in the UK in 2008 was 5,624 (2007: 7,618, 2006: 7,847)

### **Changes in the Directors' share interests since the year end (unaudited)**

There were the following changes in the Directors' share interests between 1 January 2009 and 24 February 2009:

Ken Hanna purchased the following shares through participation in the Company's all-employee share incentive plan: 12 shares on 5 January 2009 at a price of £6.13 per share and 25 shares on 2 February 2009 at a price of £5.59 per share.

The Non-Executive Directors elected to surrender part of their Directors' fees and on 7 January 2009 purchased the following number of shares at a price of £6.12 per share:

Dr Wolfgang Berndt	1,639
Roger Carr	2,124
Colin Day	222
Guy Elliott	2,131
Baroness Hogg	502
Lord Patten	1,315
Raymond Viault (a)	1,884

(a) Purchased ADRs equivalent to the number of shares shown on 7 January 2009 at a price of US\$37.1 per ADR.

Save as disclosed, there have been no other changes in the interests of the Directors between 1 January 2009 and 24 February 2009.

All the interests detailed above are beneficial. Save as disclosed, none of the Directors had any other interest in the securities of the Company or the securities of any other company in the Group. The Register of Directors' Interests, which is open to inspection, contains full details of Directors' shareholdings and share options.

## **ITEM 7: MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS**

### **Share capital**

Changes in our share capital are detailed in Note 28 to the Financial Statements. At the 2009 Annual General Meeting, renewal will be sought of the authorities: (a) for the Directors to allot relevant securities and to allot equity securities for cash other than on a pre-emptive basis, shareholders having approved similar resolutions annually since 1982; and (b) for the Company to purchase its own shares as and if appropriate, shareholders having approved a similar resolution annually since 1998. The Directors have no present intention to issue shares in the Company for cash other than in connection with its share option and incentive schemes. The authority to purchase shares has not been used since 1999.

### **Exchange controls and other limitations affecting Security Holders**

There are at present no UK foreign exchange control restrictions on remittance of dividends on the Company's ordinary shares or on the conduct of the Company's operations. There are no restrictions under the Company's Memorandum and Articles of Association or under English law that limit the right of non-resident or foreign owners to hold or vote the Company's ordinary shares. In the event that a person who is or was interested in ordinary shares fails to give the Company any information required by a notice given pursuant to Section 793 of the Companies Act 2006 (which confers upon public companies the power to require information with respect to interests in their voting shares) within the time specified in the notice, the Company may apply to the Court for an order, inter alia, that no voting rights be exercisable in respect of such shares and that no shares be issued or (except on liquidation) payment be made by the Company in respect of such shares.



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The owner shall not be entitled to attend or vote at meetings, and the Board of Directors of the Company may withhold payment of all or part of any dividends. The owner shall not be entitled to receive shares in lieu of dividend and the Board of Directors of the Company may decline to register a transfer of shares in circumstances, if (a) the Company has given notice to the registered holder requiring the delivery of an ownership declaration by the beneficial owner pursuant to the Articles of Association (the “Articles”) of the Company; (b) no such declaration has been delivered during the period of 14 days since the service of the notice; and (c) the Company has given a further notice to the registered holder in accordance with the Articles.

The company and its shareholders are required to comply with Disclosure and Transparency Rule 5 (“DTR5”) (which contains the provisions on disclosure of major shareholdings). Under these obligations, a shareholder must notify the Company of the percentage of its voting rights held through a direct or indirect shareholding in the Company if the percentage of those voting rights:

- (1) reaches, exceeds or falls below 3%, 4%, 5%, 6%, 7%, 8%, 9%, 10% and each 1% threshold thereafter up to 100% as a result of an acquisition or disposal of shares or financial instruments; or
- (2) reaches, exceeds or falls below an applicable threshold in (1) as a result of events changing the breakdown of voting rights and on the basis of information disclosed by the issuer.

As of 25 March 2009, the company holds four notifications of interests amounting to 3% or more in the issued share capital of the Company in accordance with DTR5. The table below details notifications of interests from 1 January 2006. The ordinary shares and any ADRs held by the shareholders identified in the below table have the same voting rights as the other ordinary shares.

### Notifications of Share Interests

Date of Notification	Interested Party	Number of shares in which there is an interest (in millions)	Interest in issued share capital (in %)
<b>2006</b>			
12 January 2006	Barclays PLC	62.5	Decrease to 2.9
1 February 2006	Barclays PLC	62.6	Increase to 3.0
29 November 2006	Barclays PLC	61.9	Decrease to 2.9
<b>2007</b>			
13 February 2007	Legal & General Investment Management	73.0	Increase to 3.47
19 March 2007	Morgan Stanley Investment Management Limited	150.8	7.18
28 June 2007	Triam Fund Management L.P.	73.0	3.47
16 August 2007	ABN Amro Bank N.V	71.0	3.38
29 August 2007	ABN Amro Bank N.V	49.6	Decrease to 2.36
14 September 2007	Legal and General Group plc	84.3	Increase to 4.00
5 October 2007	Legal and General Group plc	108.0	Increase to 5.12
19 November 2007	Legal and General Group plc	106.4	5.04 (increase in direct shareholding)
<b>2008</b>			
7 May 2008	Legal and General Group plc	79.6	5.88 (Re-statement)
16 May 2008	Triam Fund Management L.P.	46.7	3.45 (Re-statement)
6 August 2008	Morgan Stanley Investment Management Limited	66.0	Decrease to 4.87
13 October 2008	Legal and General Group plc	67.8	Decrease to 4.98
21 October 2008	Legal and General Group plc	68.1	Increase to 5.00
27 October 2008	Legal and General Group plc	67.3	Decrease to 4.95
20 November 2008	Legal and General Group plc	68.0	Increase to 5.00
25 November 2008	Legal and General Group plc	66.9	Decrease to 4.92
6 February 2009	Van Kampen Investments	69.4	5.11
10 February 2009	Legal and General Group plc	68.1	Increase to 5.00

As at 31 December 2008, 2,132 record holders with addresses registered in the US held a total of 247,850,170 ordinary shares in Cadbury plc, either in the form of shares or in the form of ADRs.

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Details of Related Party Transactions can be found in Note 36 to the Financial Statements.

### ITEM 8: FINANCIAL INFORMATION

The financial statements filed as part of this Report are included on pages F-1 through F-72 hereof.

### ITEM 9: THE OFFER AND LISTING

#### The Trading Market

The principal trading market for the ordinary shares of 10p is the London Stock Exchange. Cadbury Schweppes ADRs traded on the New York Stock Exchange from 2 May 1996 until 1 May 2008 under the ticker symbol CSG. On 2 May 2008, Cadbury ADRs were listed on the New York Stock Exchange under the ticker symbol CBY.

The table below details for the stated periods the high and low market prices for the ordinary shares, as derived from the Daily Official List of the London Stock Exchange, and for the ADRs, as reported on the New York Stock Exchange composite tape. The ADR price is affected by the exchange rate between the pound sterling and the US dollar.

#### Share Prices: Ordinary Shares and ADRs

For Cadbury Schweppes plc — up to 1 May 2008

Financial Year	Ordinary Shares		American Depository Receipts		
	High £	Low £	High US\$	Low US\$	
2004	4.87	3.93	38.00	29.15	
2005	5.95	4.66	43.27	35.45	
2006	Full Year	5.90	4.98	43.38	37.05
2007	First Quarter	6.57	5.28	51.41	40.74
	Second Quarter	7.24	6.55	57.30	52.22
	Third Quarter	6.73	5.34	54.20	42.78
	Fourth Quarter	6.41	5.69	53.24	46.90
2008	Full Year	7.24	5.28	57.30	40.74
	First Quarter	6.23	5.39	54.85	48.07
	1 April — 1 May	5.87	5.56	51.58	48.54
	1 January — 1 May	6.23	5.39	54.85	48.07

For Cadbury plc — from 2 May 2008

Financial Year	Ordinary Shares		American Depository Receipts			
	High £	Low £	High US\$	High US\$		
	2 May — 30 June	7.05	6.09	56.01	48.55	
	September	6.62	5.65	46.93	40.32	
	Third Quarter	6.62	5.65	50.94	40.32	
	October	5.68	4.53	40.09	31.07	
	November	5.81	5.09	36.91	29.65	
	December	6.06	5.26	35.67	30.75	
	Fourth Quarter	6.06	4.53	40.09	29.65	
	2 May — 31 December	7.05	4.53	56.01	29.65	
	2009	January	6.19	5.58	37.18	31.32
		February	5.51	4.97	32.32	28.73
March (to 24 Mar)		5.62	5.03	32.37	27.58	

Cadbury Schweppes plc was the ultimate parent company of the Group until 1 May 2008. On 2 May 2008, Cadbury plc replaced Cadbury Schweppes plc as the new ultimate parent company of the Group by means of a Scheme of Arrangement.

## ITEM 10: ADDITIONAL INFORMATION

### SUMMARY OF MEMORANDUM AND ARTICLES OF ASSOCIATION

A copy of the Company's Memorandum and Articles of Association, amended as of 7 May 2008 and in force at the date of the filing of this Form 20-F, is appended as an exhibit to the Company's Form 20-F for the fiscal year ended 31 December 2008, and filed on 31 March 2009.

The Company is incorporated as a public company under the name "Cadbury plc" and is registered in England and Wales with the registered number 6497379. Its Memorandum and Articles of Association are on file with the Registrar of Companies of England and Wales. A copy of such Memorandum and Articles of Association, as in force at the date of the filing of this Form 20-F, is appended as an exhibit. The following summarizes certain provisions of the Company's Memorandum and Articles of Association and applicable English law. This summary is qualified in its entirety by reference to the UK Companies Act and the Company's Memorandum and Articles of Association.

#### Objects and Purposes

The Company's principal objects are to carry on business as a general commercial company and to carry on any trade or business whatsoever. The Company has multiple business objectives and purposes and is authorized to do such things as the board may consider to further the Company's interest, all as provided in its Memorandum of Association.

#### Directors

The business of the Company is conducted under the supervision of the board of directors.

**Conflicts of Interest.** Pursuant to the Memorandum of Association, the directors may, subject to the quorum and voting requirements described below, authorize any matter which would otherwise involve a director breaching his duty under applicable law to avoid conflicts of interest. A director seeking authorization in respect of a conflict must inform the board of the nature and extent of his interest in the conflict as soon as possible. The authorization is effected in the same way that any other matter may be proposed to and resolved by the directors except that the relevant director, and other director with a similar interest, will not count in the quorum and will not vote on any resolution respecting the matter, and the relevant director, and any other director with a similar interest, may, if the other directors so decide, be excluded from any meeting of the directors where the matter is under consideration. In approving a matter involving conflict, the directors may impose such conditions and provisions as they determine appropriate in accordance with the Memorandum of Association.

The prohibition of a director from voting or being counted in the quorum on a resolution about a contract in which the director has an interest shall not apply to any resolution where the interest cannot reasonably be regarded as likely to give rise as a conflict of interest or where that interest is included in the following list:

- a resolution about giving the director any guarantee, indemnity or security for money which he or any other person has lent or obligations he or any other person has undertaken at the request of or for the benefit of the company or any of its subsidiary undertakings;
- a resolution about giving any guarantee, indemnity or security to another person for a debt or obligation which is owed by the Company or any of its subsidiary undertakings to that other person if the director has taken responsibility for some or all of that debt or obligation. The director can take this responsibility by giving a guarantee, indemnity or security;

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- a resolution about giving the director any other indemnity where all other directors are also being offered indemnities on substantially the same terms;
- a resolution about the Company funding the director's expenditure on defending proceedings or the Company doing something to enable him to avoid incurring such expenditure where all other directors are being offered substantially the same arrangements;
- a resolution relating to an offer by the Company or any of its subsidiary undertakings of any shares or debentures or other securities for subscription or purchase if the director takes part because he is a holder of shares, debentures or other securities or if he takes part in the underwriting or sub-underwriting of the offer;
- a resolution about a contract in which the director has an interest because of his interest in shares or debentures or other securities of the company or because of any other interest in or through the company;
- a resolution about a contract involving any other company if the director has an interest of any kind in that company (including an interest by holding any position in that company or by being a shareholder of less than 1% of any equity class of the voting rights in that company);
- a resolution about a contract relating to a pension fund, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which gives the director benefits which are also generally given to the employees to whom the fund or scheme relates;
- a resolution about a contract relating to an arrangement for the benefit of employees of the Company or of any of its subsidiary undertakings which only gives him benefits which are also generally given to the employees to whom the arrangement relates; and
- a resolution about a contract relating to any insurance which the company can buy or renew for the benefit of directors or of a group of people which includes directors.

**Director Compensation.** The Memorandum of Association provides that it is for the board to decide how much to pay each director by way of fees; provided, however, that the total fees paid to all directors may not exceed £1.5 million per year unless authorized by the shareholders.

**Borrowing Authority.** The board may exercise all the powers of the Company to borrow money, including to issue debentures or other securities, and to mortgage or charge all or any part of the Company's property and assets; provided that the board must restrict the Company's borrowings in order to insure that the aggregate principal amount from time to time outstanding of all borrowings by the Group shall not (without the prior approval of the shareholders) exceed an amount equal to the product of (i) 2-1/2 and (ii) the Company's adjusted capital and reserves, as defined in the Memorandum of Association.

**Retirement.** The Memorandum and Articles of Association contain no provisions regarding retirement of directors under an age limit requirement. The Memorandum of Association does provide that at each annual general meeting the following directors shall retire from office:

- any director who has been appointed by the directors since the last annual general meeting,
- any director who held office at the time of two preceding annual general meetings and who did not retire at either of them; and
- any director who has been in office, other than as a director holding an executive position, for a continuous period of nine years or more at the date of the meeting.

Any director who retires at an annual general meeting may offer himself for reappointment by the shareholders.

**Director Qualifying Shares.** Directors of the Company are not required by the Memorandum and Articles of Association to hold any shares in the Company.

## Shares

**Dividends.** Subject to applicable law, shareholders may receive dividends in accordance with the rights attached to each class of shares that they hold. No dividend may exceed the amount recommended by the Board of Directors. If the directors consider the financial position of the Company justifies such payments, they can declare fixed or other dividends on any class of shares on the dates prescribed for the payment of those dividends, and pay interim dividends on shares of any class of any amounts and on any dates and for any periods which they decide. If any dividend has not been claimed for 12 years after being declared or becoming due for payment, it is forfeited and reverts to the Company unless the directors decide otherwise.

**Voting Rights.** Shareholders who are present at a general meeting and duly appointed proxies present at a general meeting can vote on a show of hands. They will have one vote each. On a poll, every shareholder present in person or by proxy will have one vote for every share held. A resolution put to the vote at any general meeting will be decided on a show of hands unless a poll is demanded when, or before, the chairman of the meeting declares the results of the show of hands. Subject to applicable law, a poll can be demanded by:

- the chairman of the meeting;
- at least five persons at the meeting who are entitled to vote;
- one or more shareholders at the meeting who are entitled to vote (or their proxies and who have between them at least 10% of the total votes of all shareholders who have the right to vote at the meeting; or
- one or more shareholders at the meeting who have shares which allow them to vote at the meeting (or their proxies) and on which the total amount which has been paid up is at least 10% of the total sum paid up on all shares which give the right to vote at the meeting.

The chairman of the meeting can also demand a poll before a resolution is put to the vote on a show of hands.

At each annual general meeting of shareholders, directors are elected to fill the vacancies resulting from the retirement of directors described above under “- Directors — Retirement”. Accordingly, not all directors stand for election each year. The Memorandum and Articles of Association do not provide for or permit cumulative voting.

**Rights to Share in Company Profits.** Other than the provisions outlined above relating to dividends, shareholders have no other rights to share in the Company’s profits.

**Right to Share in Company Surplus.** The rights of shareholders to share in any surplus in the event of liquidation are not expressly dealt with in the Memorandum and Articles of Association. Under English law, in the event of liquidation, after payment of all liabilities, the Company’s remaining assets would be used to repay the holders of shares the nominal value they paid for their shares. Any balance would be divided among the shareholders in proportion to the nominal amount held by them.

**Redemption.** The Company’s ordinary shares are not subject to redemption. The Company may issue shares in the future which can be redeemed.

**Sinking Fund.** The Company’s Memorandum and Articles of Association do not provide for any sinking fund provisions applicable to its shares.

**Capital Calls.** Shareholders have no liability for capital calls by the Company except with respect to the unpaid amount, if any, respecting their shares consisting of the nominal value of the shares and any premium which may be payable on those shares. The directors can call on shareholders to pay such amounts that have not yet been paid to the Company for their shares

**Provisions Applicable Only to Significant Shareholders.** There are no provisions of the Memorandum and Articles of Association discriminating against any existing or prospective holder of shares as a result of such shareholder owning a substantial number of shares.

**Variation of Rights**

Subject to applicable law, in accordance with the Memorandum of Association, the rights attached to any class of shares may be varied with the written consent of the holders of not less than three-quarters of the issued shares of that class (excluding treasury shares) or by a special resolution passed at a separate meeting of the holders of the relevant class of shares.

**General Meetings**

Annual general meetings of the Company are convened by the board of directors in accordance with applicable law, on a date that is within fifteen months after the date of the preceding annual general meeting, at a place and time determined by the board. The board may convene a general meeting whenever it thinks fit. In addition, the board must convene a general meeting if requested to do so by shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company carrying a right to vote at general meetings as of the date of the request.

As a general matter, all shareholders have a right to be admitted to each general meeting. However, the board may make arrangements for simultaneous attendance and participation at other places by members and proxies entitled to attend the general meeting. The board may, for the purpose of facilitating the organization and administration of any general meeting to which such arrangements apply, from time to time make arrangements, such as the issue of tickets (on a basis intended to afford to all shareholders and proxies entitled to attend the meeting an equal opportunity of being admitted to the principal place of the meeting) or the imposition of some random means of selection or otherwise as it shall, in its discretion, consider to be appropriate.

A quorum for all purposes is two people who are entitled to vote. They can be shareholders who are personally present or proxies of the shareholders, or a combination of both. If a quorum is not present within five minutes after the time fixed for a general meeting to start or within any longer period not exceeding one hour specified by the chairman of the meeting or if a quorum ceases to be present during a general meeting, the following provisions apply. If the meeting was called by shareholders, it will be cancelled. Any other meeting will be adjourned to any day (being not less than three nor more than 28 days later), time and place stated in the notice of the meeting, or if the notice does not provide for this, as decided by the chairman. One shareholder present in person or by proxy and entitled to vote will constitute a quorum at any adjourned meeting.

**Limitations on Rights to Own Securities**

Persons who are neither residents in the U.K. nor U.K. nationals may freely hold, vote and transfer shares in the same manner as U.K. residents or nationals. Any member whose registered address is not within the U.K. can give the Company a postal address within the U.K. at which notices may be served on him. Otherwise, a member whose registered address is not within the U.K. is not entitled to receive any notice from the Company.

**Change of Control**

The Company can issue additional shares with any rights or restrictions attached to them as long as not restricted by any rights attached to existing shares. These rights or restrictions can be decided by the directors so long as there is no conflict with any resolution passed by the shareholders. The ability of the directors to issue shares with rights or restrictions that are different than those attached to the currently outstanding ordinary shares could have the effect of delaying, deferring or preventing change of control of the Company.

In addition, as discussed above under “- Directors — Retirement”, directors stand for re-election at an annual general meeting only if they are required by the terms of the Memorandum of Association to have retired from office in connection with such annual general meeting. As a result, not every director stands for re-election at each annual general meeting. Because this would prevent shareholders from replacing the entire board at a single meeting, this provision could also have the effect of delaying, deferring or preventing a change in control of the Company.

### **By-law Provisions Regarding Disclosure of Share Ownership**

No provision of the Memorandum and Articles of Association specifies any ownership threshold above which shareholder ownership must be disclosed. Under applicable law, any person who acquires in excess of 3% of the voting shares or an excess of 10% of the total share capital of a company must notify that company. In addition, when a shareholder's interest in a company's shares falls below the foregoing thresholds, it must notify the company of that decrease.

### **Changes in Capital**

Under the Memorandum and Articles of Association the Company's shareholders can increase the Company's share capital by passing an ordinary resolution. In addition, the Company's shareholders can by resolution:

- consolidate, or consolidate and then divide, all or any of its share capital into shares of a larger amount than the existing shares;
- divide some or all of its shares into shares of a smaller amount than existing shares (subject to restrictions under applicable law); and
- cancel any shares which have not been subscribed for.

The Company's Memorandum of Association provides that the Company can pass a special resolution to reduce its share capital, any capital redemption reserve, any share premium account or any other undistributable reserve in any way, subject to restrictions under applicable law. These provisions in respect of changes in the Company's capital are not more stringent than required by applicable law.

### **Differences from law in host country**

With respect to the items discussed above, applicable UK law is not materially different from applicable US law.

### **Changes in Capital**

The provisions in the Memorandum and Articles of Association in respect of changes in the Company's capital are no more stringent than required by English law. Thus, the Company may by ordinary resolution increase, consolidate, consolidate and then divide, sub-divide its shares or any of them (subject to the Companies Act), or cancel any shares which, at the date of the resolution, have not been taken or agreed to be taken by any person. The Company may, subject to the Companies Act, by special resolution reduce its share capital, any capital redemption reserve, any share premium account or any other undistributable reserve.

### **MATERIAL CONTRACTS**

The following summaries are not intended to be complete and reference is made to the agreements themselves, which are included as exhibits to this Form 20-F or other filings with the SEC as indicated below.

#### **Indenture among Cadbury Schweppes US Finance LLC, as Issuer, Cadbury Schweppes plc, as Guarantor, Cadbury Schweppes Finance p.l.c., as Subsidiary Guarantor and JPMorgan Chase Bank, as Trustee, and related First Supplemental Indenture.**

The Company's wholly-owned subsidiary, Cadbury Schweppes US Finance LLC, issued US\$1 billion principal amount of 3.875% senior notes due 2008 and US\$1 billion principal amount of 5.125% senior notes due 2013 under an indenture dated 29 September 2003, as supplemented by a First Supplemental Indenture dated 29 September 2003, in each case between Cadbury Schweppes US Finance LLC, as issuer, Cadbury Schweppes plc as Guarantor, Cadbury Schweppes Finance p.l.c. as Subsidiary Guarantor and JP Morgan Chase Bank, as Trustee. In each case, the senior notes are fully and unconditionally guaranteed by Cadbury Schweppes plc and Cadbury Schweppes Finance p.l.c. The first interest payment was made on 1 April 2004. Cadbury Schweppes US Finance LLC may redeem the notes at any time, in whole or in part, at its option.



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The indenture, as supplemented, describes the circumstances that would be considered events of default. These circumstances include, among other things, the acceleration of Capital Markets Indebtedness (as defined in the indenture) in the amount of £25,000,000 or more. If an event of default occurs, the holders of at least 25% of the principal amount of the then outstanding notes may declare the notes, along with accrued, but unpaid, interest and other amounts described in the indenture, as immediately due and payable. The indenture limits the Group's ability to create liens on, and enter into sale-leaseback transactions with respect to, its Principal Properties (as defined in the indenture).

For further information regarding the Indenture and the First Supplemental Indenture, please see the Company's Report on Form 20-F for its fiscal year ended 28 December 2003, and exhibits thereto.

### **Seventh Supplemental Trust Deed dated 24 June 2008, among Cadbury Schweppes Finance p.l.c., Cadbury Schweppes Investments plc, Cadbury Holdings Limited and The Law Debenture Trust Corporation p.l.c.**

On 24 June 2008, the Group entered into a Seventh Supplemental Trust Deed with the Law Debenture Trust Corporation p.l.c., as Trustee, in respect of the Company's Euro Medium Term Note Programme. Any notes issued thereunder by Cadbury Schweppes Finance p.l.c. are guaranteed by Cadbury Holdings Limited and Cadbury Schweppes Investments plc; any notes issued thereunder by Cadbury Schweppes Investments plc are guaranteed by Cadbury Holdings Limited and Cadbury Schweppes Finance p.l.c.

### **Form of Directors' Service Contract**

During 2004, the Cadbury Schweppes plc (now Cadbury Holdings Limited) entered into new service contracts with each of its executive directors. A description of the material terms of the directors' service contracts, set forth on page 80, and their respective remuneration arrangements, set forth under the heading "Management Compensation" on pages 75 to 92 of Form 20-F furnished as an exhibit to the Company's Form 6-K dated 11 April 2005, is incorporated by reference herein. In addition to the directors' service contracts, the Company entered into secondment arrangements with Messrs. Stitzer and Stack which provide for housing support and other allowances, as described in the Report on Directors' Remuneration. The introduction of age discrimination legislation in the UK, necessitated amendments to the Executive Directors' service contracts, which took effect from 30 March 2007. An example of the form of variation is incorporated as an exhibit to the Company's Form 6-K dated 16 April 2007. For further information regarding the directors' service contracts, please see the Company's Report on Form 20-F for its fiscal year ended 2 January 2005, which is an exhibit to the Company's Form 6-K dated 11 April 2005, and exhibits to this Form 20-F.

### **Form of Directors' Indemnity**

Since February 2005, the Group has granted indemnities to each of the directors and the Company Secretary. The description of the directors' indemnity, set forth on page 42 of the Company's Report and Accounts and Form 20-F furnished as an exhibit to the Company's Form 6-K dated 11 April 2005, is incorporated by reference herein. For further information regarding the directors' indemnity, please see the Company's Report on Form 20-F for its fiscal year ended 2 January 2005, which is an exhibit to the Company's Form 6-K dated 11 April 2005, and exhibits to this Form 20-F.

## **TAXATION**

This discussion of UK and US tax law considerations is intended only as a descriptive summary and does not purport to be a complete technical analysis or listing of all potential tax effects relevant to the ownership of ordinary shares or ADRs. If a Shareholder is in any doubt about their tax position, or is resident or otherwise subject to taxation in a jurisdiction other than the UK or the US, they should contact their own professional adviser.

The summary of UK and US tax laws set out below is based: (i) on the laws in force as at 31 December 2008, and is subject to any changes in UK or US law, or in any double taxation convention between the US and the UK or in UK Inland Revenue practice, occurring after 31 December 2008; and (ii) in part on representations of the Depositary and assumes that each obligation provided for in, or otherwise contemplated by, the Deposit Agreement and any related agreement will be performed in accordance with its terms. This summary is not exhaustive of all possible tax considerations and holders of ordinary shares or ADRs are advised to satisfy themselves as to the overall tax consequences of their ownership of ordinary shares or ADRs and the ordinary shares represented thereby, by consulting their own tax advisers. This summary does not deal with the UK tax consequences for a US resident shareholder that is resident, or in the case of an individual, ordinarily resident, for UK tax purposes in the UK or that carries on business in the UK through a permanent establishment.



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The discussions below regarding US residents are based on the articles of the double taxation convention between the US and the UK which came into force on 31 March 2003 (the “US-UK Convention”).

For the purpose of the US-UK Convention and for the purposes of the US Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder (the “Code”), discussed opposite, the holders of ADRs should be treated as the owners of the underlying ordinary shares that are evidenced by such ADRs.

### **Taxation of Dividends**

#### **UK Residents**

An individual shareholder resident in the UK is generally treated for UK income tax purposes as having taxable income equal to the sum of the dividend paid and the tax credit attached to the dividend. The tax credit is equal to one-ninth of the dividend and may be credited against the shareholder’s UK income tax liability.

Shareholders who pay tax at the starting rate (10%) or basic rate (20%) will have no further liability to tax.

Non taxpayers will be unable to make a claim for the repayment of the notional tax credit.

The position of higher rate taxpayers is as follows (using a cash dividend of £90 as an example):

Tax Credit	£ 10.00
Higher Rate Tax*	(32.50)

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\* The higher tax rate itself is 40%, however a special tax rate of 32.5% applies to income from UK dividends. Tax payable under self assessment is £22.50 (made up of £32.50 less the tax credit of £10.).

#### **US Residents**

A US resident shareholder will be treated as receiving dividend income equal to the amount of the dividend. The UK does not impose withholding tax on dividends paid to US resident shareholders.

A dividend payable to a holder who is a US citizen or a US resident (as defined below) will generally be treated as foreign source dividend income for US federal income tax purposes. The amount of any cash distribution paid in pounds sterling will be the US dollar value of the pounds sterling payment on the date of receipt by the US holder (or, in the case of the ADRs, by the Depositary), regardless of whether the payment is converted into US dollars. Gain or loss, if any, recognised on the sale or disposition of pounds sterling generally will be ordinary US source income or loss. Such dividend will not be eligible for the 70% dividends received deduction allowed to US corporations under Section 243 of the Code. Special rules apply for the purposes of determining the dividend paid and foreign tax credit available to a US corporation which, either alone or together with one or more associated corporations, controls, directly or indirectly, 10% or more of the voting stock of the Company. Subject to certain exceptions for positions that are hedged or held for less than 60 days, an individual holder of shares generally should be subject to US taxation at a maximum rate of 15% in respect of dividends received in 2007. As used herein, the term “US resident” includes an individual resident in the US for purposes of US tax, a US corporation and a foreign corporation or non-resident alien individual engaged in the conduct of a trade or business within the US with which a dividend or gain, as the case may be, on the ADRs or ordinary shares is effectively connected.

## **Capital Gains**

### **UK Residents**

The UK tax rules governing capital gains tax (CGT) on the disposal of shares are complex and depend on the precise circumstances that apply in each case. It is not, therefore, possible to give individual advice to shareholders who are subject to UK CGT.

For shares held on 31 March 1982 and continuing to be held by shareholders who are resident in the UK for tax purposes and are subject to CGT, the base costs for CGT purposes will normally be the market value of the shares as at 31 March 1982. For shares purchased after this date by shareholders, the base cost will normally be the acquisition costs of the shares.

The value of any ordinary share of 12.5p as at 31 March 1982 was 49.25p, adjusted to reflect the two for one share split in 1999. For shareholders who subscribed for their full entitlement under the rights issues in October 1993 and February 1995, the value per share was 77.535p.

### **US Residents**

Holders of ADRs or ordinary shares who are US resident individuals or US corporations, and who are not resident or ordinarily resident in the UK, will not be subject to UK taxation on capital gains realised on the disposal of their ADRs or ordinary shares, unless the ADRs or ordinary shares are used or held for the purposes of a trade, profession or vocation carried on in the UK through a branch or group. Such gain or loss will be capital gain or loss if the ADRs or ordinary shares are held as capital assets, and will generally be long-term capital gain or loss if the ADRs or ordinary shares were held for more than one year. Any such gain or loss will generally be US-source gain or loss.

The capital gain of a non-corporate United States holder is generally taxed at a maximum rate of 15% where the property is held more than one year. This long-term capital gains rate is scheduled to expire in 2011.

### **US Estate and Gift Tax**

The current Estate and Gift Tax Convention between the US and the UK generally relieves from UK Inheritance Tax (the equivalent of US Estate and Gift Tax) the transfer of ordinary shares or of ADRs where the shareholders or holder of the ADRs making the transfer is domiciled, for the purposes of the Convention, in the US. This will not apply if the ordinary shares or ADRs are part of the business property of an individual's permanent establishment in the UK or pertain to the fixed base in the UK of a person providing independent personal services. If no relief is given under the Convention, UK Inheritance Tax may be charged on the amount by which the value of the transferors' estate is reduced as a result of any transfer made by way of gift or other gratuitous transaction by an individual in general within seven years of death or on the death of an individual. In the unusual case where ordinary shares or ADRs are subject to both UK Inheritance Tax and US Estate or Gift Tax, the Convention generally provides for tax paid in the UK to be credited against tax payable in the US or for tax paid in the US to be credited against tax payable in the UK based on priority rules set forth in the Convention.

### **Stamp Duty Tax for ADRs**

No stamp duty or stamp duty reserve tax (SDRT) will be payable in the UK on the purchase or transfer of an ADR, provided that the ADR (and any separate instrument or written agreement of transfer) remains at all times outside the UK and that the instrument or written agreement of transfer is not executed in the UK. Stamp duty or SDRT is, however, generally payable at the rate of 1.5% of the amount or value of the consideration or, in some circumstances, the value of the ordinary shares, where ordinary shares are issued or transferred to a person whose business is or includes issuing depositary receipts or the provision of clearance services or to a nominee or agent for such a person.

A transfer for value of the underlying ordinary shares will generally be subject to either stamp duty or SDRT, normally at the rate of 0.5% of the amount or value of the consideration (rounded up to the nearest £5 in the case of stamp duty). Stamp duty or SDRT is, however, generally payable at the rate of 1.5% of the amount or value of the consideration where ordinary shares are transferred to a person whose business is or includes the provision of clearance services, or to a nominee or agent for such a person.

A transfer of ordinary shares from a nominee to the ordinary shares' beneficial owner (including the transfer of underlying ordinary shares from the Depositary to an ADR holder) under which no beneficial interest passes is subject to stamp duty at the fixed rate of £5.00 per instrument of transfer.

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### **Demerger of Americas Beverages**

Further information on the taxation treatment of the demerger of Americas Beverages for US and UK shareholders is available on the Company's website.

### **Close Company Status**

So far as the Directors are aware the close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company and there has been no change in that position since the end of the financial year.

### **DOCUMENTS ON DISPLAY**

Documents on display are available by contacting the Group Secretary, Cadbury House, Sanderson Road, Uxbridge UB8 1DH, England, telephone: +44 (0)1895 615000.

### **ITEM 11: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

See Item 5: Operating and Financial Review and Prospects-Quantitative and Qualitative Disclosures about Market Risk for the required information.

### **ITEM 12: DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.

## PART II

### ITEM 13: DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

### ITEM 14: MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

### ITEM 15: CONTROLS AND PROCEDURES

#### Disclosure Controls and Procedures

An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures as at 31 December 2008 was carried out by the Company under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer. Based on that evaluation the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures have been designed to provide, and are effective in providing, reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to management, including the principal executive and principal financial officers, as appropriate to allow such timely decisions regarding required disclosure. A controls system, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

#### Management's Annual Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Management conducted an evaluation of the effectiveness of internal control over financial reporting based on the framework in Internal Control — Integrated Framework issued by the Committee of Sponsoring Organisations of the Treadway Commission.

Management has assessed the effectiveness of internal control over financial reporting, as at 31 December 2008, and has concluded that such internal control over financial reporting was effective.

Deloitte LLP, an independent registered public accounting firm, who has audited and reported on our consolidated financial statements, has also issued an audit report on the Company's internal control over financial reporting. This report appears on page 105.

#### Changes in internal control Over Financial Reporting

There were no changes in our internal control over financial reporting during the year ended 31 December 2008, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### To the Board of Directors and Shareholders of Cadbury plc

We have audited the internal control over financial reporting of Cadbury plc and subsidiaries (the “Company”) as at 31 December 2008, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as at 31 December 2008, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as at and for the year ended 31 December 2008 of the Company and our report dated XX March 2008 expressed an unqualified opinion on those financial statements.

**Deloitte LLP**  
London, England  
26 March 2009

## ITEM 16A: AUDIT COMMITTEE FINANCIAL EXPERT

The Board has determined that Guy Elliott is the audit committee financial expert as defined by the US Securities and Exchange Commission from 8 March 2008. David Thompson was the audit committee financial expert for US regulatory purposes until his retirement on that date.

## ITEM 16B: CODE OF ETHICS

The Group has adopted a code of ethics that applies to the Chief Executive Officer, the Chief Financial Officer, the Principal Accounting Officer, other Senior Management and the Directors of the Board. A copy of the Group's code of ethics is available on the Group's website [www.cadbury.com](http://www.cadbury.com). No waivers from the code of ethics have been granted to any person during the fiscal year ended 31 December 2006 nor were any amendments to the code of ethics made during seven years.

## ITEM 16C: PRINCIPAL ACCOUNTANT FEES AND SERVICES

### Auditors' remuneration

	2008 £m	2007 £m
<b>Audit services</b>	<b>4.9</b>	<b>6.0</b>
<b>Other services</b>		
Other services pursuant to legislation	1.6	2.9
Tax services	0.2	0.3
Corporate finance services	0.4	0.4
Other services	0.8	0.2
<b>Total non-audit fees</b>	<b>3.0</b>	<b>3.8</b>
<b>Auditors' remuneration</b>	<b>7.9</b>	<b>9.8</b>

Other services pursuant to legislation primarily relates to shareholder/debt circular work related to the demerger of the Americas Beverages business and assurance regarding the half year review.

The nature of tax services comprises corporation tax advice and compliance services and amounts payable in relation to advice and compliance services on personal tax for expatriates.

Corporate finance services relate to work in respect of the Americas Beverages demerger.

Non-audit services: The US Sarbanes-Oxley Act of 2002 identifies certain categories of non-audit services which are no longer to be performed by the external auditor. We have incorporated that prohibition into our own policy regarding services from the external auditor. The list of prohibited non-audit services may only be varied by the Audit Committee.

The external auditor is permitted to undertake some non-audit services, for example the due diligence activities associated with potential acquisitions or disposals of business by the Group, but their services and their associated fees, must be approved in advance by the Committee where such services are considered recurring in nature, approval may be sought for the full financial year at the beginning of that year.

Approval for other permitted non-audit services has to be sought on an ad-hoc basis. Where no committee meeting is scheduled within a distinct time frame, the approval is sought from the Chairman of the Committee.

From February 2008, the pre-approval process was amended to enable the Committee to pre-approve the audit and non-audit service categories that can be provided by the external auditor and agreed monetary amounts for each service category that can be provided by them, subject to a maximum individual engagement value. The service continues to require specific pre-approval from the Audit Committee or the Audit Committee Chairman. Where request for pre-approvals either do not fall within pre-approved category limits, or where a service value exceeds the maximum individual engagement value. There will continue to be no de minimis amount allowed.

**ITEM 16D: EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEE**

None.

**ITEM 16E: PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

None.

**ITEM 16F: CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16G: CORPORATE GOVERNANCE**

**US Corporate governance**

As Cadbury plc has a secondary listing on the NYSE, it is required to comply with some of the NYSE Corporate Governance rules, and otherwise must disclose any significant ways in which our corporate governance practices differ from those followed by US companies under the NYSE listing standards. The Company complies with all the NYSE rules which apply to non-US issuers except as disclosed below. The NYSE rules require the Nomination Committee to be composed entirely of independent Directors, and require this Committee to consider corporate governance matters on behalf of the Board. The Nomination Committee includes the Chairman, Roger Carr, amongst its members. Chairmen of UK companies are not considered to be independent, although Mr Carr was considered independent at the time of his appointment. Additionally, corporate governance matters are dealt with either by the Audit Committee, which is comprised solely of independent Non-Executive Directors, or by the full Board.

**PART III**

**ITEM 17: FINANCIAL STATEMENTS**

Not applicable.

**ITEM 18: FINANCIAL STATEMENTS**

The financial statements filed as part of this Report are included on pages F-1 through F-72 hereof.

**ITEM 19: EXHIBITS**

- 1 Memorandum and Articles of Association amended as of 7 May 2008.
- 4.1 Indenture dated 29 September 2003 by and between Cadbury Schweppes US Finance LLC, as Issuer, Cadbury Schweppes p.l.c., as Guarantor, Cadbury Schweppes Finance p.l.c. as Subsidiary Guarantor, and JPMorgan Chase Bank, as Trustee incorporated by reference to Exhibit 4.1 on the Form 20-F of the Company for the fiscal year ended 28 December 2003, filed on 6 April 2004.
- 4.2 First Supplemental Indenture dated September 29, 2003 by and between Cadbury Schweppes US Finance LLC, as Issuer, Cadbury Schweppes p.l.c., as Guarantor, Cadbury Schweppes Finance p.l.c. as Subsidiary Guarantor, and JP Morgan Chase Bank, as Trustee incorporated by reference to Exhibit 4.2 on the Form 20-F of the Company for the fiscal year ended 28 December 2003, filed on 6 April 2004.
- 4.3 Seventh Supplemental Trust Deed dated 24 June 2008, among Cadbury Schweppes Finance p.l.c., Cadbury Schweppes Investments plc, Cadbury Holdings Limited and The Law Debenture Trust Corporation p.l.c.
- 4.4 Form of Director's Service Contract incorporated by reference to Exhibit 4.4 on the Form 20-F of the Company for the fiscal year ended 2 January 2005, filed on 12 April 2005.
- 4.5 Form of Variation dated 30 March 2007 to executive directors' service contracts with each of HT Stitzer, R J Stack (both contracts dated 1 July 2004) and K G Hanna (contract dated 1 March 2004), incorporated by reference to Exhibit 4.5 on the Form 20-F of the Group for the fiscal year ended 31 December 2007, filed on 10 April 2008.
- 4.6 Assignment of Agreement dated 15 January 2008 and Letter of Variation dated 29 December 2008 to executive director's service contract with HT Stitzer.
- 4.7 Form of Director's Indemnity for Cadbury plc.
- 8 List of subsidiary companies
- 12.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 12.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 13.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 13.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 15 Consent of Deloitte LLP

The Company agrees to furnish to the Securities and Exchange Commission, upon request, copies of any instruments that define the rights of holders of long-term debt of the Company and its subsidiaries that are not filed as exhibits to this Form 20-F.



**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this Annual Report on its behalf.

**CADBURY PUBLIC LIMITED COMPANY (Registrant)**

By: /s/ Henry Udow

Henry Udow  
Group Secretary

31 March 2009

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

**To the Board of Directors and Shareholders of Cadbury plc**

We have audited the accompanying consolidated balance sheets of Cadbury plc and subsidiaries (the “Company”) as at 31 December 2008 and 2007, and the related consolidated income statements, consolidated statements of recognised income and expense and cash flows for each of the three years in the period ended 31 December 2008. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Cadbury plc and subsidiaries as at 31 December 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended 31 December 2008, in conformity with International Financial Reporting Standards (“IFRS”) as adopted for use in the European Union and IFRS as issued by the International Accounting Standards Board.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as at 31 December 2008, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated 24 February 2009 expressed an unqualified opinion on the Company’s internal control over financial reporting.

**Deloitte LLP**

London, England

26 March 2009

**Consolidated income statements**

Notes		2008 Total £m	Re-presented 2007 Total £m	Re-presented 2006 Total £m
	<b>Continuing operations</b>			
2	<b>Revenue</b>	<b>5,384</b>	<b>4,699</b>	<b>4,483</b>
3	Trading costs	(4,803)	(4,258)	(4,071)
4	Restructuring costs	(194)	(165)	(107)
5	Non-trading items	1	2	23
	<b>Profit from operations</b>	<b>388</b>	<b>278</b>	<b>328</b>
17	Share of result in associates	10	8	(15)
	<b>Profit before financing and taxation</b>	<b>398</b>	<b>286</b>	<b>313</b>
9	Investment revenue	52	56	50
10	Finance costs	(50)	(88)	(119)
	<b>Profit before taxation</b>	<b>400</b>	<b>254</b>	<b>244</b>
11	Taxation	(30)	(105)	(68)
	<b>Profit for the period from continuing operations</b>	<b>370</b>	<b>149</b>	<b>176</b>
31	<b>Discontinued operations<sup>1</sup></b>			
	(Loss)/profit for the period from discontinued operations	(4)	258	989
	<b>Profit for the period</b>	<b>366</b>	<b>407</b>	<b>1,165</b>
	Attributable to:			
	<b>Equity holders of the parent</b>	<b>364</b>	<b>405</b>	<b>1,169</b>
	Minority interests	2	2	(4)
		<b>366</b>	<b>407</b>	<b>1,165</b>
	<b>Earnings per share from continuing and discontinued operations</b>			
13	Basic	22.6p	19.4p	56.4p
13	Diluted	22.6p	19.2p	55.9p
	<b>From continuing operations</b>			
13	Basic	22.8p	7.0p	8.7p
13	Diluted	22.8p	7.0p	8.6p

<sup>1</sup> In accordance with IFRS 5, the 2007 and 2006 income statements, statements of recognised income and expense and related notes have been re-presented following the classification of Americas Beverages and Australia Beverages as discontinued operations (see Note 31).

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### Consolidated statements of recognised income and expense

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
Currency translation differences (net of tax)	580	132	(416)
Exchange transferred to income and expense upon disposal	—	—	10
Actuarial (loss)/gain on post retirement benefit obligations (net of tax)	(291)	168	50
Share of associate reserves movements	—	—	(2)
IAS 39 transfers to income or expense	—	—	(1)
<b>Net income/(expense) recognised directly in equity</b>	<b>289</b>	<b>300</b>	<b>(359)</b>
Profit for the period from continuing operations	370	149	176
(Loss)/profit for the period from discontinued operations	(4)	258	989
<b>Total recognised income and expense for the period</b>	<b>655</b>	<b>707</b>	<b>806</b>
<b>Attributable to:</b>			
Equity holders of the parent	653	705	810
Minority interests	2	2	(4)
	<b>655</b>	<b>707</b>	<b>806</b>

**Consolidated balance sheets**

Notes		2008 £m	2007 £m
	<b>Assets</b>		
	<b>Non-current assets</b>		
14	Goodwill	2,288	2,805
15	Acquisition intangibles	1,598	3,378
15	Software intangibles	87	149
16	Property, plant and equipment	1,761	1,904
17	Investment in associates	28	32
24	Deferred tax assets	181	124
25	Retirement benefit assets	17	223
20	Trade and other receivables	28	50
18	Other investments	2	2
		<b>5,990</b>	<b>8,667</b>
	<b>Current assets</b>		
19	Inventories	767	821
	Short-term investments	247	2
20	Trade and other receivables	1,067	1,197
	Tax recoverable	35	41
	Cash and cash equivalents	251	493
27	Derivative financial instruments	268	46
		<b>2,635</b>	<b>2,600</b>
21	Assets held for sale	270	71
	<b>Total assets</b>	<b>8,895</b>	<b>11,338</b>
	<b>Liabilities</b>		
	<b>Current liabilities</b>		
22	Trade and other payables	(1,551)	(1,701)
	Tax payable	(328)	(197)
27	Short-term borrowings and overdrafts	(1,189)	(2,562)
23	Short-term provisions	(150)	(111)
32	Obligations under finance leases	(1)	(21)
27	Derivative financial instruments	(169)	(22)
		<b>(3,388)</b>	<b>(4,614)</b>
	<b>Non-current liabilities</b>		
22	Trade and other payables	(61)	(37)
27	Borrowings	(1,194)	(1,120)
25	Retirement benefit obligations	(275)	(143)
	Tax payable	(6)	(16)
24	Deferred tax liabilities	(121)	(1,145)
23	Long-term provisions	(218)	(61)
32	Obligations under finance leases	(1)	(11)
		<b>(1,876)</b>	<b>(2,533)</b>
21	Liabilities directly associated with assets classified as held for sale	(97)	(18)
	<b>Total liabilities</b>	<b>(5,361)</b>	<b>(7,165)</b>
	<b>Net assets</b>	<b>3,534</b>	<b>4,173</b>
	<b>Equity</b>		
28	Share capital	136	264
28	Share premium account	38	1,225
28	Other reserves	850	(4)
28	Retained earnings	2,498	2,677
28	<b>Equity attributable to equity holders of the parent</b>	<b>3,522</b>	<b>4,162</b>
29	<b>Minority interests</b>	<b>12</b>	<b>11</b>
	<b>Total equity</b>	<b>3,534</b>	<b>4,173</b>

**Consolidated cash flow statements**

Notes		2008 £m	2007 £m	2006 £m
34	<b>Net cash inflow from operating activities</b>	<b>469</b>	<b>812</b>	<b>620</b>
	<b>Investing activities</b>			
17	Dividends received from associates	10	8	6
	Proceeds on disposal of property, plant and equipment	18	57	84
	Purchases of property, plant and equipment and software	(500)	(409)	(384)
	Americas Beverages separation costs paid	(107)	(30)	—
	Americas Beverages net cash and cash equivalents demerged	(67)	—	—
30	Acquisitions of businesses and associates	16	(352)	(375)
	Net cash assumed on acquisitions	—	6	28
	Sale of investments, associates and subsidiary undertakings	48	27	1,295
	Cash removed on disposal	(4)	(1)	(50)
	Movement in equity investments and money market deposits	(245)	127	(82)
	Net cash (used in)/generated from investing activities	(831)	(567)	522
	<b>Net cash (outflow)/inflow before financing activities</b>	<b>(362)</b>	<b>245</b>	<b>1,142</b>
	<b>Financing activities</b>			
	Dividends paid	(295)	(311)	(272)
	Dividends paid to minority interests	—	(1)	(4)
	Capital element of finance leases repaid	(21)	(21)	(21)
	Proceeds on issues of ordinary shares	58	56	38
	Net movement of shares held under Employee Trust	12	(13)	(4)
	Proceeds of new borrowings	4,382	2,026	532
	Borrowings repaid	(4,167)	(1,722)	(1,481)
	Net cash (used in)/generated from financing activities	(31)	14	(1,212)
	<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(393)</b>	<b>259</b>	<b>(70)</b>
	Opening net cash and cash equivalents	449	186	276
	Effect of foreign exchange rates	43	4	(20)
	<b>Closing net cash and cash equivalents</b>	<b>99</b>	<b>449</b>	<b>186</b>

Net cash and cash equivalents includes overdraft balances of £152 million (2007: £44 million, 2006: £83 million). Opening net cash and cash equivalents in 2006 excludes £3 million of cash included in assets held for sale. There are no cash and cash equivalents included in assets held for sale in any other year.

**Segmental reporting**

**(a) Business segment analysis**

	2008					
	Reported measures			Segment measures		
	Revenue £m	Profit from operations £m	Operating margins %	Revenue £m	Underlying profit from operations £m	Underlying margins %
BIMA	1,645	107	6.5	1,645	173	10.5
Europe	1,097	44	4.0	1,097	115	10.5
Americas	1,631	296	18.1	1,631	315	19.3
Asia Pacific	1,002	106	10.6	1,002	143	14.3
	5,375	553	10.3	5,375	746	13.9
Central	9	(165)	n/a	9	(108)	n/a
<b>Profit from operations</b>	<b>5,384</b>	<b>388</b>	<b>7.2</b>	<b>5,384</b>	<b>638</b>	<b>11.9</b>

An explanation of segment performance measures is included in Note 1(e).

**Reconciliation of profit from operations and profit before taxation to underlying performance measure**

	2008					
	Reported performance £m	Reversal of restructuring costs £m	Reversal of amortisation and impairment of intangibles £m	Reversal of non-trading items £m	IAS 39 adjustment £m	Underlying profit from operations £m
	BIMA	107	21	—	9	36
Europe	44	63	2	—	6	115
Americas	296	18	2	(5)	4	315
Asia Pacific	106	32	—	(2)	7	143
Central	(165)	60	—	(3)	—	(108)
<b>Profit from operations</b>	<b>388</b>	<b>194</b>	<b>4</b>	<b>(1)</b>	<b>53</b>	<b>638</b>
Share of results in associates	10	—	—	—	—	10
Financing	2	3	—	—	(94)	(89)
<b>Profit before taxation</b>	<b>400</b>	<b>197</b>	<b>4</b>	<b>(1)</b>	<b>(41)</b>	<b>559</b>

An explanation of the reconciling items between reported and underlying performance measures is included in Note 1(y).



(a) Business segment analysis

	Re-presented 2007					
	Reported measures			Segment measures		
	Revenue £m	Profit from operations £m	Operating margins %	Revenue £m	Underlying profit from operations £m	Underlying margins %
BIMA	1,579	83	5.3	1,579	153	9.7
Europe	879	61	6.9	879	82	9.3
Americas	1,372	191	13.9	1,372	234	17.1
Asia Pacific <sup>1</sup>	860	109	12.7	860	122	14.2
	<b>4,690</b>	<b>444</b>	<b>9.5</b>	<b>4,690</b>	<b>591</b>	<b>12.6</b>
Central	9	(166)	n/a	9	(118)	n/a
<b>Profit from operations</b>	<b>4,699</b>	<b>278</b>	<b>5.9</b>	<b>4,699</b>	<b>473</b>	<b>10.1</b>

An explanation of segment performance measures is included in Note 1(e).

**Reconciliation of profit from operations and profit before taxation to underlying performance measure**

	Re-presented 2007 <sup>2</sup>					
	Reported performance £m	Reversal of restructuring costs £m	Reversal of amortisation and impairment of intangibles <sup>3</sup> £m	Reversal of non-trading items £m	IAS 39 adjustment £m	Underlying profit from operations £m
BIMA	83	60	—	1	9	153
Europe	61	18	1	3	(1)	82
Americas	191	33	2	1	7	234
Asia Pacific <sup>1</sup>	109	8	15	(9)	(1)	122
Central	(166)	46	—	2	—	(118)
<b>Profit from operations</b>	<b>278</b>	<b>165</b>	<b>18</b>	<b>(2)</b>	<b>14</b>	<b>473</b>
Share of results in associates	8	—	—	—	—	8
Financing	(32)	—	—	—	(19)	(51)
<b>Profit before taxation</b>	<b>254</b>	<b>165</b>	<b>18</b>	<b>(2)</b>	<b>(5)</b>	<b>430</b>

<sup>1</sup> Australia Beverages was separated from the Asia Pacific segment in 2008 following a strategic review of the Australia Beverages business and changes to the management and reporting of this business. The Asia Pacific segment information for 2007 has been re-presented accordingly. Australia Beverages has been subsequently classified as an asset held for sale.

<sup>2</sup> The Group has re-presented its segmental analysis for the comparative 2007 financial information to allocate certain central costs which directly support the regions to the regional operating segments as this is consistent with the way in which the Chief Operating Decision Maker reviews the results of the operating segments.

<sup>3</sup> Includes the impairment of China of £13 million reported within the Asia Pacific segment, all other charges relate to amortisation.

An explanation of the reconciling items between reported and underlying performance measures is included in Note 1(y).

**(a) Business segment analysis**

	Re-presented 2006					
	Reported measures			Segment measures		
	Revenue £m	Profit from operations £m	Operating margins %	Revenue £m	Underlying profit from operations £m	Underlying margins %
BIMA	1,500	114	7.6	1,500	170	11.3
Europe	818	66	8.1	818	81	9.9
Americas	1,330	166	12.5	1,330	192	14.4
Asia Pacific <sup>1</sup>	827	114	13.8	827	132	16.0
	<b>4,475</b>	<b>460</b>	<b>10.3</b>	<b>4,475</b>	<b>575</b>	<b>12.8</b>
Central	8	(132)	n/a	8	(110)	n/a
<b>Profit from operations</b>	<b>4,483</b>	<b>328</b>	<b>7.3</b>	<b>4,483</b>	<b>465</b>	<b>10.4</b>

During 2007, the Group reorganised its Confectionery regions and split the former EMEA region (Europe, Middle East and Africa) into two regions: BIMA (Britain, Ireland, Middle East and Africa) and Europe. The business segment analysis for 2006 has been re-presented on a comparable basis.

An explanation of segment performance measures is included in Note 1(e).

**Reconciliation of profit from operations and profit before tax to underlying performance measure**

	Re-presented 2006 <sup>2</sup>							Underlying profit from operations £m
	Reported performance £m	Reversal of restructuring costs £m	Reversal of amortisation and impairment of intangibles £m	Reversal of non-trading items £m	UK product recall £m	Nigeria adjustment £m	IAS 39 adjustment £m	
BIMA	114	51	15	(42)	30	—	2	170
Europe	66	14	—	4	—	—	(3)	81
Americas	166	11	2	14	—	—	(1)	192
Asia Pacific <sup>1</sup>	114	10	2	—	—	—	6	132
Central	(132)	21	—	1	—	—	—	(110)
<b>Profit from operations</b>	<b>328</b>	<b>107</b>	<b>19</b>	<b>(23)</b>	<b>30</b>	<b>—</b>	<b>4</b>	<b>465</b>
Share of results in associates	(15)	—	—	—	—	23	—	8
Financing	(69)	—	—	—	—	—	—	(69)
<b>Profit before taxation</b>	<b>244</b>	<b>107</b>	<b>19</b>	<b>(23)</b>	<b>30</b>	<b>23</b>	<b>4</b>	<b>404</b>

<sup>1</sup> Australia Beverages was separated from the Asia Pacific segment in 2008 following a strategic review of the Australia Beverages business and changes to the management and reporting of this business. The Asia Pacific segment information for 2006 has been re-presented accordingly. Australia Beverages has been subsequently classified as an asset held for sale.

<sup>2</sup> The Group has re-presented its segmental analysis for the comparative 2006 financial information to allocate certain central costs which directly support the regions to the regional operating segments as this is consistent with the way in which the Chief Operating Decision Maker reviews the results of the operating segments.

An explanation of the reconciling items between reported and underlying performance measures is included in Note 1(y).

**(b) Business segment assets and liabilities**

	2008						
	Segment assets £m	Investment in associates £m	Unallocated assets <sup>1</sup> £m	Total assets £m	Segment liabilities £m	Unallocated liabilities <sup>1</sup> £m	Total liabilities £m
BIMA	1,383	—	—	1,383	(675)	—	(675)
Europe	2,225	—	—	2,225	(466)	—	(466)
Americas	3,008	—	—	3,008	(1,227)	—	(1,227)
Asia Pacific	1,101	5	—	1,106	(362)	—	(362)
Central	—	23	883	906	—	(2,534)	(2,534)
<b>Continuing operations</b>	<b>7,717</b>	<b>28</b>	<b>883</b>	<b>8,628</b>	<b>(2,730)</b>	<b>(2,534)</b>	<b>(5,264)</b>
<b>Discontinued operations</b>							
Americas Beverages	—	—	—	—	—	—	—
Australia Beverages <sup>2</sup>	267	—	—	267	(97)	—	(97)
	<b>7,984</b>	<b>28</b>	<b>883</b>	<b>8,895</b>	<b>(2,827)</b>	<b>(2,534)</b>	<b>(5,361)</b>

<sup>1</sup> Unallocated assets and liabilities principally comprise centrally held property, plant and equipment, tax assets and liabilities, obligations under finance leases, derivative financial instrument balances and Group debt.

	Re-presented 2007						
	Segment assets £m	Investment in associates £m	Unallocated assets <sup>1</sup> £m	Total assets £m	Segment liabilities £m	Unallocated liabilities <sup>1</sup> £m	Total liabilities £m
BIMA	1,333	—	—	1,333	(570)	—	(570)
Europe	1,710	—	—	1,710	(465)	—	(465)
Americas	2,421	—	—	2,421	(424)	—	(424)
Asia Pacific	875	3	—	878	(251)	—	(251)
Central	—	22	753	775	—	(4,900)	(4,900)
<b>Continuing operations</b>	<b>6,339</b>	<b>25</b>	<b>753</b>	<b>7,117</b>	<b>(1,710)</b>	<b>(4,900)</b>	<b>(6,610)</b>
<b>Discontinued operations</b>							
Americas Beverages	3,966	7	—	3,973	(465)	—	(465)
Australia Beverages <sup>2</sup>	248	—	—	248	(90)	—	(90)
	<b>10,553</b>	<b>32</b>	<b>753</b>	<b>11,338</b>	<b>(2,265)</b>	<b>(4,900)</b>	<b>(7,165)</b>

<sup>1</sup> Unallocated assets and liabilities principally comprise centrally held property, plant and equipment, tax assets and liabilities, obligations under finance leases, derivative financial instrument balances and Group debt.

<sup>2</sup> Following a strategic review of the Australia Beverages business and changes to the management and reporting of this business, Australia Beverages was separated from the Asia Pacific segment. The 2007 financial information for Asia Pacific has been re-presented accordingly. Australia Beverages has subsequently been classified as an asset held for sale.

(c) Other business segment items

	2008				
	Acquisition of Intangibles <sup>1</sup> £m	Property, plant and equipment and software intangible additions: —excluding acquired subsidiaries —acquired subsidiaries		Depreciation and amortisation of software intangibles £m	Amortisation and impairment of intangibles £m
	£m	£m	£m	£m	£m
BIMA	—	77	—	66	—
Europe	(8)	178	(14)	33	2
Americas	—	84	—	48	2
Asia Pacific	—	75	—	29	—
Central	—	13	—	16	—
<b>Continuing operations</b>	<b>(8)</b>	<b>427</b>	<b>(14)</b>	<b>192</b>	<b>4</b>
<b>Discontinued operations</b>					
Americas Beverages	(3)	61	4	23	8
Australia Beverages	—	16	—	17	—
	<b>(11)</b>	<b>504</b>	<b>(10)</b>	<b>232</b>	<b>12</b>

<sup>1</sup> In 2008 the acquisition of intangibles relates to the finalisation of fair value adjustments (see Note 30).

	Re-presented 2007				
	Acquisition of Intangibles £m	Property, plant and equipment and software intangible additions: —excluding acquired subsidiaries —acquired subsidiaries		Depreciation and amortisation of software intangibles £m	Amortisation and impairment of intangibles £m
	£m	£m	£m	£m	£m
BIMA	—	116	—	62	—
Europe	288	77	64	26	1
Americas	—	56	—	38	2
Asia Pacific <sup>1</sup>	53	57	9	22	15
Central	—	10	—	20	—
<b>Continuing operations</b>	<b>341</b>	<b>316</b>	<b>73</b>	<b>168</b>	<b>18</b>
<b>Discontinued operations</b>					
Americas Beverages	42	107	14	69	24
Australia Beverages	—	—	—	14	—
	<b>383</b>	<b>423</b>	<b>87</b>	<b>251</b>	<b>42</b>

<sup>1</sup> Following a strategic review of the Australia Beverages business and changes to the management and reporting of this business, Australia Beverages is now a separate segment from the Asia Pacific segment, in accordance with IFRS 8. The 2007 financial information for Asia Pacific has been re-presented accordingly. Australia Beverages has subsequently been classified as an asset held for sale.

(d) UK revenue and non current assets

Revenue generated by UK businesses was £1,123 million (2007: £1,134 million, 2006: £1,086 million). Non-current assets of £462 million (2007: £599 million) are held by the Group's UK businesses.

**1. Nature of operations and accounting policies**

**(a) Nature of operations and segmental results**

Cadbury plc (the “Company”) and its subsidiaries and associated undertakings (the “Group”) is an international confectionery business which sells its products in almost every country in the world. The origins of the business stretch back over 200 years. Cadbury has a broad portfolio of well established regional and local brands which include Cadbury, Trident, Halls, Green & Blacks, The Natural Confectionery Co., Dentyne and Hollywood. On 7 May 2008, the Group completed the demerger of the Americas Beverages business and in December 2008 the Group announced it had signed a conditional agreement to sell the Australia Beverages business. As described in note 38, on 12 March 2009 the group entered into a definitive sale and purchase agreement for the sale of Australia Beverages. The Income Statement and related notes for 2007 and 2006 have been re-presented to classify these businesses as discontinued, in accordance with IFRS 5, “Non-current assets held for sale and discontinued operations” as described in Note 31.

Significant measures used by management in assessing segmental performance include revenue, underlying profit from operations (profit from operations before restructuring costs, non-trading items, amortisation and impairment of acquisition intangibles, UK product recall and IAS 39 adjustment) and underlying operating margins (operating margins before restructuring costs, non-trading items, amortisation and impairment of acquisition intangibles, UK product recall and IAS 39 adjustment).

**(b) Accounting convention**

The financial statements are prepared under the historical cost convention, except for the revaluation of financial instruments, and on a going concern basis.

These financial statements have been prepared in accordance with IFRSs as endorsed and adopted for use in the EU and IFRSs as issued by the International Accounting Standards Board and therefore comply with Article 4 of the EU IAS Regulation, IFRIC interpretations and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (see note 39):

- IAS 1 (Revised) Presentation of financial statements
- IAS 23 (Revised) Borrowing costs
- IAS 27 (Revised) Consolidated and separate financial statements
- Amendment to IAS 32 Financial Instruments: Presentation
- Amendment to IAS 38 Intangible assets
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement
- Amendment to IFRS 1 First time adoption of International Financial Reporting Standards
- Amendment to IFRS 2 Share based payment
- Amendment to IAS 27 (Revised) Consolidated and separate financial statements
- IFRS 3 (Revised) Business combinations
- IFRIC 13 Customer loyalty programmes
- IFRIC 15 Arrangements for the construction of real estate
- IFRIC 16 Hedges of a net investment in a foreign operation
- IFRIC 17 Distributions of non cash assets to customers
- IFRIC 18 Transfer of assets from customers

The Directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group except for IFRS 3 (Revised) should the Group undertake material acquisitions in the future.

IFRS 8, Operating Segments has been adopted in advance of its effective date with effect from 1 January 2008. In addition to the adoption of IFRS 8, the Group has changed the measure of operating profit, which is disclosed segmentally to align with the way the chief operating decision maker assesses the performance of and allocates the Group’s resources to the segments. As such the 2007 and 2006 segmental analysis has been re-presented to allocate certain global Supply Chain, Commercial and Science and Technology costs which directly support the business to the regional operating segments.

**(c) Preparation of financial statements**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

On 7 May 2008, the Group completed the demerger of the Americas Beverages business. The Income Statement and related notes for 2007 and 2006 have been re-presented to classify this business as discontinued, in accordance with IFRS 5, “Non current assets held for sale and discontinued operations”.

The demerger resulted in the confectionery business trading under the name Cadbury plc and the Americas Beverages business trading under the name Dr Pepper Snapple Group, Inc. (DPSG). The demerger was effected pursuant to a Scheme of Arrangement under section 425 of the Companies Act 1985. Pursuant to the Scheme of Arrangement, Cadbury Schweppes plc shareholders received 64 Cadbury plc ordinary shares and 12 DPSG shares for every 100 Cadbury Schweppes ordinary shares held. The accounts of Cadbury plc have been prepared as if it had been in existence since 1 January 2006. The following summarises the accounting principles that have been applied in preparing the financial statements on a reverse acquisition accounting basis:

> The income statements for Cadbury plc have been prepared as if the operations of Cadbury plc were in existence for the whole of the period from 1 January 2006 to 31 December 2008.

> Changes in share capital and reserves as a result of the capital reorganisation have been reflected in the current period. Differences between these amounts and the previously reported share capital and reserves have been adjusted in the Demerger reserve, as set out in Note 28.

In December 2008 the Group announced it had entered into a conditional agreement to sell the Australia Beverages business. As described in note 38, on 12 March 2009 the group entered into a definitive sale and purchase agreement for the sale of Australia Beverages. The results of the Australia Beverages business have been included within discontinued operations for 2008 and the 2007 and 2006 comparative results re-presented accordingly. At the year end the assets and liabilities of the Australia Beverages business are classified as assets held for sale in accordance with IFRS 5.

The Group has re-presented its segmental analysis for the comparative 2007 and 2006 financial information to allocate certain global Supply Chain, Commercial and Science and Technology costs, which directly support the business to the regional operating segments as this is consistent with the way in which the Chief Operating Decision Maker reviews the results of the operating segments.

**(d) Basis of consolidation**

The financial statements are presented in the form of Group financial statements. The Group financial statements consolidate the accounts of the Company and the entities controlled by the Company (including all of its subsidiary entities) after eliminating internal transactions and recognising any minority interests in those entities. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain economic benefits from its activities.

Minority interests are shown as a component of equity in the balance sheet and the share of profit attributable to minority interests is shown as a component of profit for the period in the consolidated income statement.

Results of subsidiary undertakings acquired during the financial year are included in Group profit from the effective date of control. The separable net assets, both tangible and intangible, of newly acquired subsidiary undertakings are incorporated into the financial statements on the basis of the fair value to the Group as at the effective date of control.

Results of subsidiary undertakings disposed of during the financial year are included in Group profit up to the effective date of disposal.

Entities in which the Group is in a position to exercise significant influence but does not have the power to control or jointly control are associated undertakings. Joint ventures are those entities in which the Group has joint control. The results, assets and liabilities of associated undertakings and interests in joint ventures are incorporated into the Group’s financial statements using the equity method of accounting.

The Group’s share of the profit after interest and tax of associated undertakings is included as one line below profit from operations. Investment in associated undertakings are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group’s share of the net assets of the entity. All associated undertakings have financial years that are coterminous with the Group’s, with the exception of Camelot Group plc (“Camelot”) whose financial year ends in March. The Group’s share of the profits of Camelot is based on its most recent, unaudited financial statements to 30 September.

**(e) Segmental analysis**

**Business reportable segments**

Following the demerger of the Americas Beverages business and a change in the management and reporting of the Australia Beverages business ahead of the announcement to sell the Australia Beverages business, the Group's operational management structure had four business segments, each with its own leadership team. These four business segments are: Britain, Ireland, Middle East and Africa (BIMA), Europe, Americas and Asia Pacific. The Australia Beverages business was previously reported within the Asia Pacific segment. The segmental information for Asia Pacific now excludes Australia Beverages, with the prior periods re-presented.

During 2007, the Group reorganised its Confectionery regions and split the former EMEA region (Europe, Middle East and Africa) into two regions: BIMA (Britain, Ireland, Middle East and Africa) and Europe. The business segment analysis for 2006 has been re-presented on a comparable basis.

Regional teams manage the segments as strategic business units. They are managed separately because of the differing market conditions and consumer tastes in the different geographies, which require differing branded products and marketing strategies. The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The Group has re-presented its segmental analysis for the comparative 2007 and 2006 financial information as described below.

**Basis of recharge of costs between segments**

Certain central costs are considered to relate to the operating segments, for example where individuals have dual roles or services are provided by a Group function instead of external contractors, for example IT or legal services. These costs are recharged with a suitable mark-up and settled as other trading intercompany balances.

**Basis of allocation of costs between segments**

On adoption of IFRS 8, the Group has changed the measure of operating profit which is disclosed segmentally to align with the way in which the Chief Operating Decision Maker assesses the performance of and allocates the Group's resources to the regions. As such the 2007 and 2006 segmental analysis has been re-presented to allocate certain global Supply Chain, Commercial and Science and Technology costs, which directly support the business, to the regional operating segments.

**(f) Foreign currencies**

Transaction differences arising from exchange rate variations of monetary items in trading transactions are included within profit from operations while those arising on financing transactions are recorded within investment revenue or finance costs, as appropriate. The functional currency of each of the Company's subsidiaries is the local currency in which each subsidiary is located. Monetary assets and liabilities denominated in a currency other than the functional currency of each of the Company's subsidiaries are translated into the functional currency at the rates ruling at the end of the financial year.

The consolidated financial statements are prepared in pounds sterling. The balance sheets of overseas subsidiaries are translated into pounds sterling at the rates of exchange ruling at the end of the financial year. The results of overseas subsidiary undertakings for the financial year are translated into sterling at an annual average rate, calculated using the exchange rates ruling at the end of each month. Differences on exchange arising from the retranslation of opening balance sheets of overseas subsidiary undertakings (or date of control in the case of acquisitions during the year) to the rate ruling at the end of the financial year are taken directly to the Group's translation reserve. In addition, the exchange differences arising from the retranslation of overseas profit and losses from average rate to closing rate are taken directly to the Group's translation reserve. Such translation differences are recognised as income or expense in the financial year in which the operations are disposed of.

**(g) Revenue**

Revenue represents the invoiced value of sales and royalties excluding inter-company sales, value added tax and sales taxes that arise as a result of the Group's sale of branded chocolate, gum and candy confectionery products and branded soft drinks. It is stated net of trade discounts, sales incentives, up-front payments, slotting fees and other non-discretionary payments.

Revenue is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, the price is fixed or determinable and collection of the amount due is reasonably assured. A provision for sales returns is estimated on the basis of historical returns and is recorded so as to allocate these returns to the same period as the original revenue is recorded. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

**(h) Research and development expenditure**

Expenditure on research activities is recognised as an expense in the financial year in which it is incurred.

Development expenditure is assessed and capitalised if it meets all of the following criteria:

- > an asset is created that can be identified;
- > it is probable that the asset created will generate future economic benefits; and
- > the development cost of the asset can be measured reliably.

Capitalised development costs are amortised over their expected economic lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the financial year in which it is incurred.

**(i) Advertising costs**

The Group expenses all advertising costs as incurred unless it represents a prepayment for goods or services yet to be delivered or rendered and no amounts are capitalised for direct response advertising.

**(j) Share-based payments**

The Group issues equity settled share-based payments to certain employees. A fair value for the equity settled share awards is measured at the date of grant. Management measures the fair value using the valuation technique that they consider to be the most appropriate to value each class of award. Methods used include Binomial models, Black-Scholes calculations and Monte Carlo simulations. The valuations take into account factors such as non-transferability, exercise restrictions and behavioural considerations.

An expense is recognised to spread the fair value of each award over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately.

**(k) Restructuring costs**

The restructuring of the Group's existing operations and the integration of acquisitions gives rise to significant incremental one-off costs. The most significant component of these restructuring costs is typically redundancy payments. The Group views restructuring costs as costs associated with investment in future performance of the business and not part of the Group's trading performance. These costs have a material impact on the absolute amount of and trend in the Group profit from operations and operating margins. Therefore, such restructuring costs are shown as a separate line item within profit from operations on the face of the income statement. In 2008 and 2007, the Group has incurred costs which are restructuring in nature but relate to the maintenance of an efficient business. These costs are termed business improvement costs and are included within the underlying operating results of the business as they are expected to be incurred each year and hence will not distort the performance trends of the business.

Restructuring costs and business improvement costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to the affected parties. A liability is recognised for unsettled restructuring costs.

**(l) Non-trading items**

Cadbury's trade is the marketing, production and distribution of branded confectionery. As part of its operations the Group may dispose of or recognise an impairment of subsidiaries, associates, investments, brands and significant fixed assets that do not meet the requirements to be separately disclosed outside of continuing operations, or recognise expenses relating to the separation of a business which does meet the requirements to be separately disclosed as a discontinued operation. These discrete activities form part of the Group's operating activities and are reported in arriving at the Group's profit from operations: however, management does not consider these items to be part of its trading activities. The gains and losses on these discrete items can be significant and can give rise to gains or losses in different reporting periods. Consequently, these items can have a material impact on the absolute amount of and trend in the Group profit from operations and operating margins. Therefore any gains and losses (including transaction costs incurred) on these non-trading items are shown as a separate line item within profit from operations on the face of the income statement.

**(m) Earnings per ordinary share**

Basic earnings per ordinary share (EPS) is calculated by dividing the profit for the period attributable to equity holders of the parent by the weighted average number of shares in issue during the year. Diluted EPS is calculated by dividing the profit for the period attributable to equity holders of the parent by the weighted average number of shares in issue during the year increased by the effects of all dilutive potential ordinary shares (primarily share awards).

Underlying EPS represents basic EPS, adjusted in order to exclude amortisation and impairment of acquisition intangibles, restructuring costs, non-trading items, IAS 39 adjustments and associated tax effect as described in Note 1 (y).



**(n) Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired entity at the date of the acquisition. Goodwill is recognised as an asset and assessed for impairment at least annually. Where applicable the asset is treated as a foreign currency item and retranslated at each year end. Where an impairment test is performed on goodwill, a discounted cash flow analysis is carried out based on the cash flows of the cash-generating unit (CGU) and comparing the carrying value of assets of the CGU with their recoverable amount. These cash flows are discounted at rates that management estimate to be the risk affected average cost of capital for the particular businesses. Any impairment is recognised immediately in the income statement.

Upon a step acquisition from associate to subsidiary, the acquiree's assets and liabilities are recognised at their fair value in the Group's balance sheet. Goodwill is calculated separately at each stage of the acquisition using the share of the fair value of net assets acquired. This gives rise to the creation of an IFRS 3 revaluation reserve as a separate component within equity which represents the fair value uplift attributable to the previously held share of assets and liabilities. A reserves transfer will be made to offset any incremental depreciation on the revalued assets.

Upon disposal of a subsidiary, associate or joint venture the attributable goodwill is included in the calculation of the profit or loss on disposal. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

**(o) Acquisition intangibles**

**Brands**

The main economic and competitive assets of the Group are its brands, including the Cadbury brand, some of which are not on the balance sheet as these are internally generated. The Group carries assets in the balance sheet only for major brands that have been acquired since 1986. Acquired brand values are calculated based on the Group's valuation methodology, which is based on valuations of discounted cash flows. Intangible assets are treated as local currency assets and are retranslated to the exchange rate in effect at the end of the financial year. Where the Group licenses the use of a brand then there is no value recognised in the Group's accounts.

No amortisation is charged on over 95% of brand intangibles, as the Group believes that the value of these brands is maintained indefinitely. The factors that result in the durability of brands capitalised is that there are no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangibles. Furthermore:

> The Group is a brands business and expects to acquire, hold and support brands for an indefinite period. The Group supports these brands through spending on consumer marketing across the business and through significant investment in promotional support. The brands capitalised are expected to be in longstanding and profitable market sectors.

> The likelihood that market based factors could truncate a brand's life is relatively remote because of the size, diversification and market share of the brands in question.

> The Group owns the trademark for all brands valued on the balance sheet and renews these for nominal cost at regular intervals. The Group has never experienced problems with such renewals.

Where a brand's life is not deemed to be indefinite it is written off over its expected useful life on a straight-line basis, with the lives reviewed annually.

**Other**

The Group also recognises certain other separately identifiable intangible assets at fair value on acquisition. These include customer relationships, customer contracts and the exclusive rights to distribute branded products in certain geographical areas (franchise rights), including where such rights were granted to the acquired entity by the Group prior to its acquisition. No amortisation is charged on franchise rights acquired through acquisition where the rights relate to brands owned by the Group and these brands have been assigned an indefinite life. This is because the Group believes that these rights will extend indefinitely.

**Impairment review**

The Group carries out an impairment review of its tangible and definite life intangible assets when a change in circumstances or situation indicates that those assets may have suffered an impairment loss. Intangible assets with indefinite useful lives are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Impairment is measured by comparing the carrying amount of an asset or of a cash-generating unit with the 'recoverable amount', that is the higher of its fair value less costs to sell and its 'value in use'. 'Value in use' is calculated by discounting the expected future cash flows, using a discount rate based on an estimate of the rate that the market would expect on an investment of comparable risk.

**(p) Software intangibles**

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Capitalised internal-use software costs include external direct costs of materials and services consumed in developing or obtaining the software, and payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project. Capitalisation of these costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose. These costs are amortised over their expected useful life on a straight-line basis, with the lives reviewed annually.

**(q) Property, plant and equipment and leases**

Assets are recorded in the balance sheet at cost less accumulated depreciation and any accumulated impairment losses. Under UK GAAP, certain assets were revalued in 1995 and the depreciated revalued amount was treated as deemed cost on transition to IFRS.

Depreciation is charged (excluding freehold land and assets in course of construction) so as to write off the cost of assets to their residual value, over their expected useful lives using the straight-line method. The principal rates are as follows:

Freehold buildings and long leasehold properties	2.5%
Plant and machinery	7%-10%
Vehicles	12.5%-20%
Office equipment	10%-20%
Computer hardware	12.5%-33%

Assets in the course of construction are not depreciated until they are available for use, at which time they are transferred into one of the categories above and depreciated according to the rates noted.

Short leasehold properties are depreciated over the shorter of the estimated life of the asset and the life of the lease.

In specific cases different depreciation rates are used, e.g. high-speed machinery, machinery subject to technological changes or any machinery with a high obsolescence factor.

Where assets are financed by leasing agreements and substantially all the risks and rewards of ownership are substantially transferred to the Group (“finance leases”) the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. For property leases, the land and buildings elements are treated separately to determine the appropriate lease classification. Depreciation on assets held under finance leases is charged to the income statement on the same basis as owned assets. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the income statement as a financing charge. All other leases are “operating leases” and the relevant annual rentals are charged wholly to the income statement.

**(r) Inventories**

Inventories are recorded at the lower of average cost and estimated net realisable value. Cost comprises direct material and labour costs together with the relevant factory overheads (including depreciation) on the basis of normal activity levels. Amounts are removed from inventory based on the average value of the items of inventory removed.

**(s) Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and demand deposits.

**(t) Assets held for sale and discontinued operations**

When the Group intends to dispose of, or classify as held for sale, a business component that represents a separate major line of business or geographical area of operations it classifies such operations as discontinued. The post tax profit or loss of the discontinued operations is shown as a single amount on the face of the income statement, separate from the other results of the Group.

An allocation of interest relating to the debt demerged with the Americas Beverages business has been included within discontinued operations.

Assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when management are committed to the sale, the sale is highly probable and expected to be completed within one year from classification and the asset is available for immediate sale in its present condition.

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Disposal groups are classified as discontinued operations where they represent a major line of business or geographical area of operations. The income statement for the comparative periods will be represented to show the discontinued operations separate from the continuing operations.

### **(u) Taxation**

The tax charge for the year includes the charge for tax currently payable and deferred taxation. The current tax charge represents the estimated amount due that arises from the operations of the Group in the financial year and after making adjustments to estimates in respect of prior years.

Deferred tax is recognised in respect of all differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, except where the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised where the carrying value of an asset is greater than its associated tax basis or where the carrying value of a liability is less than its associated tax basis. Deferred tax is provided for any differences that exist between the tax base and accounting base of brand intangibles arising from a business combination.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the deductible temporary difference can be utilised.

The Group is able to control the timing of dividends from its subsidiaries and hence does not expect to remit overseas earnings in the foreseeable future in a way that would result in a charge to taxable profit. Hence deferred tax is recognised in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary. Deferred tax is recognised for unremitted overseas earnings on its associates and interests in joint ventures.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted, by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### **(v) Provisions**

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

### **(w) Pensions and other post-retirement benefits**

The cost of defined contribution retirement schemes is charged as an expense as the costs become payable. Any difference between the payments and the charge is recognised as a short-term asset or liability. Payments to state-managed retirement benefit schemes where the Group's obligations are equivalent to those arising in a defined contribution retirement benefit scheme are treated in the same manner.

For defined benefit retirement schemes, the cost of providing the benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Past service cost is recognised immediately to the extent the benefits are vested, and otherwise are amortised straight line over the average period until the benefits become vested. The current service cost and the recognised element of any past service cost are presented within Profit from Operations. The expected return on plan assets less the interest arising on the pension liabilities is presented within Financing. Actuarial gains and losses are recognised in full in the period in which they occur, outside of profit and loss and presented in the Statement of Recognised Income and Expense. The expected return on plan assets reflects the estimate made by management of the long-term yields that will arise from the specific assets held within the pension plan.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and the fair value of any relevant scheme assets. Where a deep market for corporate bonds exists, the discount rate applied in arriving at the present value represents yields on high quality corporate bonds in a similar economic environment with lives similar to the maturity of the pension liabilities. In the absence of a deep market for such corporate bonds a government bond yield is used. Any net assets resulting from this calculation are limited to the extent of any past service cost, plus the present value of guaranteed refunds (even if available only at the end of the plan) and reductions in future contributions to the plan.

**(x) Financial instruments**

**Recognition**

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument on a trade date basis.

**Derivative financial instruments**

The Group manages exposures using hedging instruments that provide the appropriate economic outcome. Where it is permissible under IAS 39, the Group's policy will be to apply hedge accounting to hedging relationships where it is both practical to do so and its application reduces volatility.

Transactions that may be effective hedges in economic terms may not always qualify for hedge accounting under IAS 39. Due to the nature of many of the Group's hedging and derivative instruments it is unlikely that hedge accounting will be adopted for these hedging relationships. Consequently, movements in the fair value of derivative instruments will be immediately recognised in the income statement and may lead to increased volatility. The Group will separately disclose the impact of such volatility.

The Group is exposed to a number of different market risks arising from its international business. Derivative financial instruments are utilised by the Group to lower funding costs, to diversify sources of funding, to alter interest rate exposures arising from mismatches between assets and liabilities or to achieve greater certainty of future costs. These exposures fall into two main categories:

**Transactional exposures**

The Group is exposed to changes in prices of its raw materials, certain of which are subject to potential short and long-term fluctuations. In respect of such commodities the Group enters into derivative contracts in order to provide a stable cost base for marketing finished products. The use of commodity derivative contracts enables the Group to obtain the benefit of guaranteed contract performance on firm priced contracts offered by banks, the exchanges and their clearing houses. In principle these derivatives may qualify as "cash flow hedges" of future forecast transactions. To the extent that the hedge is deemed effective, the movement in the fair value of the derivative would be deferred in equity and released to the income statement as the cash flows relating to the underlying transactions are incurred.

The Group has transactional currency exposures arising from its international trade. The Group also enters into certain contracts for the physical delivery of raw materials which may implicitly contain a transactional currency exposure, an "embedded derivative". The Group's policy is to take forward cover for all forecasted receipts and payments (including inter-company transactions) for as far in advance as the pricing structures are committed, subject to a minimum of three months cover. The Group makes use of the forward foreign exchange markets to hedge its exposures. In principle these derivatives may qualify as "cash flow hedges" of future forecast transactions. To the extent that the hedge is deemed effective, the movement in the fair value of the derivative would be deferred in equity and released to the income statement as the cash flows relating to the underlying transactions are incurred.

**Treasury hedging**

Interest rate swaps, cross currency interest rate swaps and forward rate agreements are used to convert fixed rate borrowings to floating rate borrowings. In principle, these derivatives would qualify as "fair value hedges" of the underlying borrowings. To the extent that the hedge is deemed effective, the carrying value of the borrowings would be adjusted for changes in their fair value attributable to changes in interest rates through the income statement. There would also be an adjustment to the income statement for the movement in fair value of the hedging instrument that would offset, to the extent that the hedge is effective, the movement in the carrying value of the underlying borrowings.

Interest rate swaps and forward rate agreements are used to convert a proportion of floating rate borrowings to fixed rate. In principle, these transactions would qualify as "cash flow hedges" of floating rate borrowings. To the extent that the hedge is deemed effective, the movement in the fair value of the derivative would be deferred in equity and released to the income statement as the cash flows relating to the underlying borrowing are incurred. However, where these transactions hedge another derivative (e.g. fixed to floating rate interest rate swap), they would not qualify for hedge accounting under IAS 39 because the risk being hedged is a risk created by the use of derivatives.

Forward currency contracts and currency swaps are used to convert the currency of floating rate borrowings. In principle, the majority of these derivatives would qualify as "net investment hedges" of the exchange exposure on our net investment in foreign operations. To the extent that the hedge is deemed effective, the gains or losses on fair valuation of the hedging instruments would be deferred in equity, where they would at least partially offset the gain or loss on retranslation of the net investment in the foreign operations, and be recycled to the Income Statement only on disposal of the foreign operation to which it relates.

Where it is neither practical nor permissible to apply hedge accounting to the Group's derivative instruments, the movements in the fair value of these derivative instruments are immediately recognised in the income statement within financing.

**Trade receivables**

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated, irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

**Trade payables**

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

**Borrowings**

Borrowings are initially recognised at fair value plus any transaction costs associated with the issue of the relevant financial liability. Subsequent to initial measurement, borrowings are measured at amortised cost with the borrowing costs being accounted for on an accrual basis in the income statement using the effective interest method. At the balance sheet date accrued interest is recorded separately from the associated borrowings within current liabilities.

**Short-Term Investments**

Short-term investments held by the Group are in the form of bank deposits and money market fund deposits. Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and initially measured at fair value, plus transaction costs. Following initial recognition, investments are accounted for at amortised cost.

**(y) Management performance measures**

Cadbury believes that underlying profit from operations, underlying profit before tax, underlying earnings and underlying earnings per share provide additional useful information on underlying trends to shareholders. These measures are used by Cadbury management for internal performance analysis and incentive compensation arrangements for employees. The term underlying is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measurements of profit. As the Group has chosen to present an alternative earnings per share measure, a reconciliation of this alternative measure to the statutory measure required by IFRS is given in Note 13.

The principal adjustments made to reported in the income statement are summarised below:

- > Restructuring costs — the costs incurred by the Group in implementing significant restructuring projects, such as Vision into Action, the major Group-wide efficiency programme in pursuit of the mid-teen margin goal and integrating acquired businesses are classified as restructuring. These are programmes involving one-off incremental items of major expenditure. In addition, costs incurred to establish a stand-alone confectionery business have also been classified as restructuring. The Group views restructuring costs as costs associated with investment in the future performance of the business and not part of the underlying performance trends of the business. Where material, restructuring costs are initially recognised after discounting to present value. The subsequent unwind of any discount is reported as a non-underlying finance cost if the associated provision resulted from non-underlying restructuring costs;
- > Amortisation and impairment of intangibles — the Group amortises certain short-life acquisition intangibles. In addition, the impairment of the goodwill in respect of China in 2007 and Cadbury Nigeria in 2006 has been recorded outside the underlying results. This amortisation and impairment charge is not considered to be reflective of the underlying trading of the Group;
- > Non-trading items — while the gain or loss on the disposal or impairment of subsidiaries, associates, investments and fixed assets form part of the Group's operating activities, the Group does not consider them to form part of its trading activities. The gains and losses (including transaction costs incurred) on these discrete items can be significant and can have a material impact on the absolute amount of, and trend in, the Group profit from operations and operating margins. Any gains and losses on these non-trading items are therefore excluded in arriving at its underlying profit from operations;
- > IAS 39 adjustments — under IAS 39, the Group seeks to apply hedge accounting to hedge relationships (principally under commodity contracts, foreign exchange forward contracts and interest rate swaps) where it is permissible, practical to do so and reduces overall volatility. Due to the nature of its hedging arrangements, in a number of circumstances, the Group is unable to obtain hedge accounting. The Group continues, however, to enter into these arrangements as they provide certainty of price and delivery for the commodities purchased by the Group, the exchange rates applying to the foreign currency transactions entered into by the Group and the interest rate applying to the Group's debt. These arrangements result in fixed and determined cash flows. The Group believes that these arrangements remain effective, economic and commercial hedges. The effect of not applying hedge accounting under IAS 39 means that the reported profit from operations reflects the actual rate of exchange and commodity price ruling on the date of a transaction regardless of the cash flow paid by the Group at the predetermined rate of exchange and commodity price. In addition, the movement in the fair value of open contracts in the period is recognised in the financing charge for the period. While the impacts described above could be highly volatile depending on movements in exchange rates, interest yields or commodity prices, this volatility will not be reflected in the cash flows of the Group, which will be determined by the fixed or hedged rate. The volatility introduced as a result of not applying hedge accounting under IAS 39 has been excluded from our underlying performance measures to reflect the cash flows that occur under the Group's hedging arrangements;



- > Certain other items which do not reflect the Group's underlying trading performance and due to their significance and one-off nature have been considered separately. The gains and losses on these discrete items can have material impact on the absolute amount of and trend in the profit from operations and result for the year. Therefore any gains and losses on such items are analysed outside underlying and comprise:
  - Demerger costs — in 2008, the Group has incurred significant transaction costs, including one-off financing fees, as a result of the separation of the Americas Beverages business which have been classified outside underlying earnings;
  - Contract termination gain — in 2007, the Group received amounts in respect of the termination of a distribution agreement for the beverage brand, Glaceau, in the US, which is included in discontinued operations. The gain which would otherwise have been received through distribution of the product in 2008, offset by the write-off of associated intangible assets, is excluded from the underlying results of the Group. The balance of the settlement which would have related to 2007 has been included within the underlying results of the Group;
  - UK product recall — in 2006 the incremental direct costs (net of directly attributable insurance recoveries) incurred in recalling seven Cadbury branded product lines in the UK and two in Ireland have been excluded from the underlying results of the Group. Any impact on trading following the recall is included in underlying results;
  - Nigeria — in 2006 the Group's share of Cadbury Nigeria's adjustments to reverse the historical over-statement of financial results and position has been excluded from the underlying equity accounted share of result in associates on the grounds that these adjustments had accumulated over a period of years and were a consequence of deliberate financial irregularities. The charge is not considered to represent the underlying trading performance of the business;
  - Release of disposal tax provisions — in 2006, the Group reached agreement with the UK tax authorities as to the tax due in connection with the disposal in 1997 of Coca-Cola & Schweppes Beverages, a UK bottling business and the disposal in 1999 of the Group's beverage brands in 160 countries. This resulted in the release of unutilised provisions totalling £51 million. The original disposal gains, net of tax, were treated as discontinued operations and excluded from the underlying results in the relevant years. Consistent with the previous treatment, the release of the unutilised provisions has been excluded from the underlying result; and
- > Taxation — the tax impact of the above items are also excluded in arriving at underlying earnings. In addition, from time to time there may be tax items which as a consequence of their size and nature are excluded from underlying earnings including the tax impact of reorganisations undertaken in preparation for the separation of Americas Beverages and the recognition of deferred tax assets relating to the reassessment of capital losses and the tax basis of goodwill on the classification of Australia Beverages as an asset held for sale.

### **(z) Critical accounting policies**

The preparation of our financial statements in conformity with IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenue and expenses during the period. Our significant accounting policies are presented in the notes to the financial statements.

Critical accounting policies are those that are most important to the portrayal of our financial condition, results of operations and cash flow, and require management to make difficult, subjective or complex judgements and estimates about matters that are inherently uncertain. Management bases its estimates on historical experience and other assumptions that it believes are reasonable. Our critical accounting policies are discussed below.

Actual results could differ from estimates used in employing the critical accounting policies and these could have a material impact on our results. We also have other policies that are considered key accounting policies, such as the policies for revenue recognition, cost capitalisation and cocoa accounting. However, these policies, which are discussed in the notes to the Group's financial statements, do not meet the definition of critical accounting estimates, because they do not generally require estimates to be made or judgements that are difficult or subjective.

### **(i) Brands and other acquisition intangibles**

Brands and other intangibles that are acquired through acquisition are capitalised on the balance sheet. These brands and other intangibles are valued on acquisition using a discounted cash flow methodology and we make assumptions and estimates regarding future revenue growth, prices, marketing costs and economic factors in valuing a brand. These assumptions reflect management's best estimates but these estimates involve inherent uncertainties, which may not be controlled by management.

Upon acquisition we assess the useful economic life of the brands and intangibles. We do not amortise over 95% of our brands by value. In arriving at the conclusion that a brand has an indefinite life, management considers the fact that we are a brands business and expects to acquire, hold and support brands for an indefinite period. We support our brands through spending on consumer marketing and through significant investment in promotional support, which is deducted in arriving at revenue.

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Many of our brands were established over 50 years ago and continue to provide considerable economic benefits today. We also consider factors such as our ability to continue to protect the legal rights that arise from these brand names indefinitely or the absence of any regulatory, economic or competitive factors that could truncate the life of the brand name.

The cost of brands and other acquisition intangibles with a finite life are amortised using a methodology that matches management's estimate of how the benefit of the assets will be consumed. Each year we re-evaluate the remaining useful life of the brands and other intangibles. If the estimate of the remaining useful life changes the remaining carrying value is amortised prospectively over that revised remaining useful life.

A strategic decision to withdraw marketing support from a particular brand or the weakening in a brand's appeal through changes in customer preferences might result in management concluding that the brand's life had become finite. Were intangible assets to be assigned a definite life, a charge would be recorded that would reduce reported profit from operations and reduce the value of the assets reported in the balance sheet. We have consistently applied our estimate of indefinite brand lives since the date we first recognised brands as intangible assets in 1989 except for one brand where we amended our original estimate from an indefinite life to a definite life asset as the products had been re-branded.

### **(ii) Recoverability of long-lived assets**

We have significant long-lived asset balances, including intangible assets, goodwill and tangible fixed assets. Where we consider the life of intangible assets and goodwill to be indefinite the balance must be assessed for recoverability on at least an annual basis. In other circumstances the balance must be assessed for recoverability if events occur that provide indications of impairment. An assessment of recoverability involves comparing the carrying value of the asset with its recoverable amount, being the higher of fair value less costs to sell and value in use. Typically recoverable amount is based on value in use. If the recoverable amount of a long-lived asset were determined to be less than its carrying value, as was the case for Cadbury China during 2007 and for Cadbury Nigeria during 2006, an impairment is charged to the income statement.

The key assumptions applied in arriving at a value in use for a long-lived asset are:

- > The estimated future cash flows that will be derived from the asset; and
- > The discount rate to be applied in arriving at a present value for these future cash flows.

### **(iii) Future cash flows**

In estimating the future cash flows that will be derived from an asset, we make estimates regarding future revenue growth and profit margins for the relevant assets. These estimates are based on historical data, various internal estimates and a variety of external sources and are developed as part of the long-term planning process. Such estimates are subject to change as a result of changing economic and competitive conditions, including consumer trends. Higher estimates of the future cash flows will increase the fair values of assets. Conversely, lower estimates of cash flows will decrease the fair value of assets and increase the risk of impairment. We attempt to make the most appropriate estimates of future cash flows but actual cash flows may be greater or less than originally predicted.

### **(iv) Discount rates**

The future cash flows are discounted at rates that we estimate to be the risk adjusted cost of capital for the particular asset. An increase in the discount rate will reduce the fair value of the long-lived assets, which could result in the fair value falling below the assets carrying value and an impairment being realised as part of the annual impairment review. On the other hand a decrease in the discount rate will increase the value in use of the long-lived assets and decrease the likelihood of impairment.

Future changes in interest rates, the premium the capital markets place on equity investments relative to risk-free investments and the specific assessment of the capital markets as to our risk relative to other companies can all affect our discount rate. Increases in interest rates and/or the risk premium applied by the capital markets would both result in increased discount rates. Conversely a reduction in interest rates and/or the risk premium applied by the capital markets would both result in decreased discount rates. These factors are largely outside of our control or ability to predict. For the past five years management has applied a Group discount rate of between 8.0% and 8.5% before any adjustment for country, market or asset specific risk. The discount rates applied in 2008 range from 8.0% to 21.0%.

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Where applicable, we review the reasonableness of all assumptions by reference to available market data including, where applicable, the publicly quoted share price of the Company. Changes in the assumptions used by management can have a significant impact on the estimated fair value of assets and hence on the need for, or the size of, an impairment charge.

### **(v) Trade spend and promotions**

Accrued liabilities associated with marketing promotion programmes require difficult subjective judgements. We utilise numerous trade promotions and consumer coupon programmes. The costs of these programmes are recognised as a reduction to revenue with a corresponding accrued liability based on estimates made at the time of shipment or coupon release. The accrued liability for marketing promotions is determined through analysis of programmes, historical trends, expectations around customer and consumer participation, revenue and payment trends, and experiences of payment patterns associated with similar programmes that have previously been offered, often in consultation with external advisers. Management has significant experience in making such estimates. However each programme is different and it is possible that the initial estimate of the costs of such programmes and therefore the reduction in revenue recorded based on such estimates, may differ from the actual results. To the extent that the period end accrual proves different to the actual payments required in the subsequent period an adjustment is recorded in the subsequent period.

### **(vi) Pensions**

Several subsidiaries around the world maintain defined benefit pension plans. The biggest plans are located in UK, Ireland, US, Canada, Mexico and Australia. The pension liabilities recorded are based on actuarial assumptions, including discount rates, expected long-term rate of return on plan assets, inflation and mortality rates. The assumptions are based on current market conditions, historical information and consultation with and input from actuaries. Management reviews these assumptions annually. If they change, or if actual experience is different from the assumptions, the funding status of the plan will change and we may need to record adjustments to our previously recorded pension liabilities.

The cost of providing pension benefits is calculated using a projected unit credit method. The assumptions we apply are affected by short-term fluctuations in market factors. We use external actuarial advisers and management judgement to arrive at our assumptions.

In arriving at the present value of the pension liabilities, we estimate the most appropriate discount rate to be applied. We are required to base our estimate on the interest yields earned on high quality, long-term corporate bonds. As the estimate is based on an external market variable the subjectivity of the assumption is more limited, however actual interest rates may vary outside of our control, so the funding status and charge will change over time. A decrease in the discount factor will increase the pension liabilities and may increase the charge recorded. An increase in the discount factor will decrease the pension liabilities and may decrease the charge recorded.

In calculating the present value of the pension liabilities we are also required to estimate mortality rates (or life expectancy), including an expectation of future changes in mortality rates. The Group uses actuarial advisers to select appropriate mortality rates that best reflect the Group's pension scheme population. If the mortality tables, or our expectation of future changes in the mortality tables, differ from actual experience then we will be required to revise our estimate of the pension liabilities and may be required to adjust the pension cost.

In calculating the pension cost, we are also required to estimate the expected return to be made on the assets held within the pension funds. We have taken direct account of the actual investment strategy of the associated pension schemes and expected rates of return on the different asset classes held. In the case of bond investments, the rates assumed have been directly based on market redemption yields at the measurement date, whilst those on other asset classes represent forward-looking rates that have typically been based on other independent research by investment specialists. A decrease in the expected rate of return will increase the pension charge for the year. Conversely an increase in the expected rate of return will decrease the pension charge for the year. If the actual returns fall below the long-term trend estimate the charge recorded in future periods will increase. If the actual returns exceed the long-term estimate the charge recorded in future periods will decrease.

Where defined benefit pension plans have an asset value in excess of the valuation of liabilities we consider whether this surplus will be realisable by the Group in the future either through a reduction in contributions or guaranteed refunds on cessation of the plan.



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An indication of the variability of the main assumptions applied by management for the UK plan over the past two years is set out below:

	2008	2007
Discount rate	6.1%	5.8%
Rate of asset returns	6.2%	6.6%
Rate of salary increases	3.7%	4.3%

A 50 basis point decrease in the estimate of the discount rate would have resulted in an approximate 8.5% increase in the pension liabilities. A 50 basis point decrease in the estimate of the long-term rate of return on assets would have resulted in an approximate £14 million increase in the pension costs.

### (vii) Income taxes

As part of the process of preparing our financial statements, we are required to estimate the income tax in each of the jurisdictions in which we operate. This process involves an estimation of the actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the balance sheet.

Significant management judgement is required in determining the provision for income tax and the recognition of deferred tax assets and liabilities. However, the actual tax liabilities could differ from the provision. In such an event, we would be required to make an adjustment in a future period, and this could materially impact our financial position and results of operations.

We operate in numerous countries but the tax regulations in the US and the UK have the most significant effect on income tax and deferred tax assets and liabilities, and the income tax expense. The tax regulations are highly complex and whilst we aim to ensure the estimates of tax assets and liabilities that are recorded are accurate, the process of agreeing tax liabilities with the tax authorities can take several years and there may be instances where the process of agreeing tax liabilities requires adjustments to be made to estimates previously recorded.

In the last two years the impact that revising the initial estimates has had on the recorded charge for current and deferred taxes and the corresponding increase in profits is set out below:

	2008 £m	2007 £m
Increase/(reduction) in current tax charge	3	(34)
Reduction in deferred tax charge	(33)	(7)

We recognised deferred tax liabilities of £121 million (2007: £1,145 million) at 31 December 2008, and have recognised deferred tax assets of £181 million (2007: £124 million). There are further unrecognised deferred tax assets for losses of £183 million (2007: £179 million). These losses relate to unrelieved tax losses in certain countries. We are required to assess the likelihood of the utilisation of these losses when determining the level of deferred tax assets for losses to be recognised. We do this based on the historical performance of the businesses, the expected expiry of the losses and the forecast performance of the business. These estimates continue to be assessed annually and may change in future years, for example if a business with history of generating tax losses begins to show evidence of creating and utilising taxable profits. £66 million of such unrecognised tax losses have no time limits and hence these tax losses have a greater probability of future recognition. Any change in the recognition of deferred tax assets for losses would generate an income tax benefit in the income statement in the year of recognition and an income tax cost in the year of utilisation.

## 2. Revenue

An analysis of the Group's revenue is as follows:

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
<b>Continuing operations</b>			
Sale of goods	5,375	4,690	4,475
Rendering of services <sup>1</sup>	9	9	8
	<b>5,384</b>	<b>4,699</b>	<b>4,483</b>
Investment revenue (Note 9)	52	56	50
<b>Discontinued operations</b> (Note 31)	<b>1,389</b>	<b>3,272</b>	<b>3,014</b>
	<b>6,825</b>	<b>8,027</b>	<b>7,547</b>

<sup>1</sup> Rendering of services relates to research and development work performed and invoiced to third parties by the Group's Science and Technology facilities.

## 3. Trading costs

### (a) Trading costs analysis:

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
Cost of sales	2,870	2,504	2,364
Distribution costs	247	241	247
Marketing and selling costs	584	487	463
Administrative expenses	1,098	1,008	948
Amortisation of definite life acquisition intangibles	4	5	5
Impairment of goodwill	—	13	14
UK product recall	—	—	30
	<b>4,803</b>	<b>4,258</b>	<b>4,071</b>

Cost of sales represents those costs directly related to preparation of finished goods (including ingredients, labour, utility costs and the depreciation costs that arise on manufacturing assets). Distribution costs includes the cost of storing products and transporting them to customers. Marketing and selling costs is made up of the cost of brand support through direct advertising, and promotional marketing and the costs of supporting the sales and marketing effort. Administrative expenses includes the cost of information technology, research and development and other back office functions.

In 2006, UK product recall represents the costs arising from the recall of seven of our Cadbury branded product lines in the UK and two in Ireland. These costs consist of customer returns, destroyed stock, remediation costs and increased media spend, offset by a £7 million insurance recovery.

The Group views restructuring costs as costs associated with investment in the future performance of our business and not part of the underlying performance trends of the business. Hence these restructuring costs are separately disclosed in arriving at profit from operations. The Group considers the amortisation and impairment of acquisition intangibles to be administrative in nature.

### (b) Gross profit analysis:

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
Revenue	5,384	4,699	4,483
Cost of sales	(2,870)	(2,504)	(2,364)
<b>Gross profit</b>	<b>2,514</b>	<b>2,195</b>	<b>2,119</b>

#### 4. Restructuring costs

During 2008, the Group incurred £200 million (2007: £200 million, 2006: £133 million) of restructuring costs. Of this total charge £6 million (2007: £35 million, 2006: £26 million) relates to discontinued operations as disclosed in Note 31(g) and £194 million (2007: £165 million, 2006: £107 million) relates to continuing operations as disclosed below. The Group initiated a restructuring programme in 2007 “Vision into Action”, in pursuit of mid-teen margins. The third party supply contract with Gumlink became onerous in 2007 and net penalties payable have been recognised. The costs incurred to effect the separation and creation of a stand-alone confectionery business following the demerger of the Americas Beverages business and the announced sale of Australia Beverages have been classified as restructuring in 2007 and 2008.

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
Fuel for Growth	—	—	107
Vision into Action	142	151	—
Integration costs	9	—	—
Onerous contract and penalties payable — Gumlink	27	9	—
Separation and creation of stand-alone Confectionery business costs	16	5	—
	<b>194</b>	<b>165</b>	<b>107</b>

Of this total charge of £194 million (2007: £165 million, 2006: £107 million), £82 million (2007: £83 million, 2006: £62 million) was redundancy related, £13 million (2007: £19 million, 2006: £14 million) related to external consulting costs and £45 million (2007: £24 million, 2006: £nil) was associated with onerous contracts. The remaining costs consisted of asset write-offs, site closure costs, relocation costs, distribution contract termination payments and acquisition integration costs. The analysis of these costs by segment is shown below:

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
BIMA	21	60	51
Europe	63	18	14
Americas	18	33	11
Asia Pacific	32	8	10
Central	60	46	21
	<b>194</b>	<b>165</b>	<b>107</b>

#### 5. Non-trading items

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
Net (loss)/profit on disposal of subsidiaries and brands	(6)	17	(21)
Profit/(loss) on disposal of investments	3	—	(3)
Profit on disposal of land and buildings	4	—	22
Loss on impairment of land and buildings	—	(12)	—
Write down to recoverable value of asset held for sale	—	(41)	—
Gain on rebuild of buildings	—	38	25
	<b>1</b>	<b>2</b>	<b>23</b>

The 2008 net loss on disposal of subsidiaries and brands in the year relates to a profit on the disposal of a non-core brand of £2 million, offset primarily by the finalisation of the loss on disposal of Monkhill, the non-core confectionery business.

The profit on sale of investments relates to the sale of Dr Pepper Snapple Group, Inc shares held by the Employee Share Ownership Trust following the demerger of the Americas Beverages business.

The profit on disposal of land and buildings principally consists of a profit arising from the sale of surplus property.

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The impairment of land and buildings in 2007 is primarily the loss recognised on the write down of property, plant and equipment in China.

The write down to recoverable value of asset held for sale in 2007 relates to the Monkhill business, a UK confectionery company that is included in the non-core disposal programme.

The gain on rebuild of buildings in 2007 and 2006 relates to the £38 million (2006: £25 million) insurance proceeds received to rebuild the Pontefract factory in the UK, which was part of the Monkhill assets held for sale at 31 December 2007.

In 2007, the net profit on disposal of subsidiaries and brands primarily relates to the £20 million profit on disposal of Cottees, an Australian food business, as part of the non-core disposal programme.

In 2006, the loss on disposal of subsidiaries and brands consists primarily of a write-down to recoverable amount of £19 million relating to non-core confectionery businesses which were held for sale at 31 December 2006.

In 2006, the profit on disposal of land and buildings principally relates to the £17 million profit arising from the sale of a UK distribution centre.

### 6. Profit from operations

Profit from operations for continuing operations is after charging:

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
Research and product development	69	59	66
Depreciation of property, plant and equipment — owned assets	151	127	136
— under finance leases	10	11	11
Amortisation of definite life acquisition intangibles	4	5	5
Impairment of goodwill	—	13	14
Amortisation of software intangibles	31	30	28
Maintenance and repairs	78	60	72
Advertising and promotional marketing	584	487	463
Impairment of trade receivables	12	5	3

There were net foreign exchange gains of £nil recognised within profit from operations in 2008 (2007: £6 million gain, 2006: £3 million gain).

Analysis of profit from operations for discontinued operations is given in Note 31(c).

**Auditors' remuneration**

	2008 Continuing £m	2008 Discontinued £m	2008 Total £m	Re-presented 2007 Continuing £m	Re-presented 2007 Discontinued £m	Re-presented 2007 Total £m	Re-presented 2006 Continuing £m	Re-presented 2006 Discontinued £m	Re-presented 2006 Total £m
<b>Audit services</b>									
— for the audit of the Company's annual accounts	1.0	—	1.0	1.0	—	1.0	0.7	—	0.7
— for the audit of the Company's subsidiaries	3.7	0.2	3.9	3.3	1.7	5.0	2.6	1.7	4.3
— services pursuant to Sarbanes-Oxley s404 legislation	—	—	—	—	—	—	1.7	—	1.7
<b>Total audit fees</b>	<b>4.7</b>	<b>0.2</b>	<b>4.9</b>	<b>4.3</b>	<b>1.7</b>	<b>6.0</b>	<b>5.0</b>	<b>1.7</b>	<b>6.7</b>
Other services pursuant to legislation	0.2	1.4	1.6	0.3	2.6	2.9	0.9	—	0.9
Tax services	0.2	—	0.2	0.3	—	0.3	0.7	—	0.7
Corporate finance services	—	0.4	0.4	—	0.4	0.4	0.6	—	0.6
Other services	0.8	—	0.8	0.2	—	0.2	0.1	—	0.1
<b>Total non-audit fees</b>	<b>1.2</b>	<b>1.8</b>	<b>3.0</b>	<b>0.8</b>	<b>3.0</b>	<b>3.8</b>	<b>2.3</b>	<b>—</b>	<b>2.3</b>
<b>Auditors' remuneration</b>	<b>5.9</b>	<b>2.0</b>	<b>7.9</b>	<b>5.1</b>	<b>4.7</b>	<b>9.8</b>	<b>7.3</b>	<b>1.7</b>	<b>9.0</b>

In 2008 and 2007, services pursuant to Sarbanes-Oxley s404 legislation are integrated in the audit service remuneration.

Other services pursuant to legislation primarily relates to shareholder/debt circular work related to the demerger of the Americas Beverages business and assurance regarding the half year review.

The nature of tax services comprises corporation tax advice and compliance services and amounts payable in relation to advice and compliance services on personal tax for expatriates.

**7. Employees and emoluments**

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
<b>Emoluments of employees, including Directors, comprised:</b>			
Wages and salaries	893	830	783
Social security costs	111	103	102
Post-retirement benefit costs (see Note 25)	64	80	73
Share-based payments (see Note 26)	35	41	33
<b>Continuing operations</b>	<b>1,103</b>	<b>1,054</b>	<b>991</b>

	2008	Re-presented 2007	Re-presented 2006
<b>Average employee headcount:</b>			
BIMA	11,478	14,041	14,309
Europe	9,603	9,099	9,148
Americas	14,168	14,484	14,568
Asia Pacific	10,547	12,036	11,611
Central	721	805	761
<b>Continuing operations</b>	<b>46,517</b>	<b>50,465</b>	<b>50,397</b>

Emoluments of employees including Directors, of discontinued operations totalled £260 million (2007: £582 million, 2006: £494 million), giving a total for the Group of £1,363 million (2007: £1,636 million, 2006: £1,485 million). The average employee headcount of discontinued operations totalled 8,227 (2007: 21,192, 2006: 16,614). Further details of discontinued operations are given in Note 31(b).

## 8. Directors' remuneration

The information required by the Companies Act 1985 and the Listing Rules of the Financial Services Authority is contained in Item 6 on Form 20-F.

## 9. Investment revenue

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
<b>Interest on loans and receivables</b>			
Interest on bank deposits	25	26	23
Post retirement employee benefits	27	30	27
<b>Investment revenue</b>	<b>52</b>	<b>56</b>	<b>50</b>

## 10. Financing costs

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
<b>Finance gain on held for trading assets and liabilities</b>			
Net gain arising on derivatives (held for trading) not in a designated hedge relationship	(94)	(19)	—
<b>Interest on other liabilities</b>			
Bank and other loans	112	55	92
Commercial paper	29	52	27
<b>Other interest</b>			
Interest on unwind of discounts on provisions	3	—	—
<b>Financing costs</b>	<b>50</b>	<b>88</b>	<b>119</b>

Total interest on financial instruments that are not recognised at fair value through the income statement was £134 million (2007: £99 million, 2006: £119 million).

An analysis of finance costs for discontinued operations is given in Note 31(d).

## 11. Taxation

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
<b>Analysis of charge in period</b>			
<b>Current tax — continuing operations:</b>			
— UK	—	—	3
— Overseas	(240)	(99)	(76)
— Adjustment in respect of prior years	(3)	34	(12)
	<b>(243)</b>	<b>(65)</b>	<b>(85)</b>
<b>Deferred tax — continuing operations:</b>			
— UK	(12)	(5)	(20)
— Overseas	192	(42)	—
— Adjustment in respect of prior years	33	7	37
	<b>213</b>	<b>(40)</b>	<b>17</b>
<b>Taxation — continuing operations</b>	<b>(30)</b>	<b>(105)</b>	<b>(68)</b>

UK current tax is calculated at 28.5% (2007 and 2006: 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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In addition to the amounts recorded in the income statement, a deferred tax credit relating to post-retirement benefits and share awards and other short-term temporary differences totalling £97 million (2007: £42 million charge, 2006: £18 million charge) was recognised directly in equity. Deferred tax carried forward in the UK is calculated at 28% (2007: 28%, 2006: 30%).

The charge for the year can be reconciled to the profit per the income statement as follows:

	2008 %	Re-presented 2007 %	Re-presented 2006 %
Tax at the UK corporation rate	<b>28.5</b>	30.0	30.0
Tax effects of:			
Expenses not deductible in determining taxable profit	<b>6.0</b>	12.5	19.9
Income not taxable	<b>(6.3)</b>	(10.2)	(9.4)
Prior period adjustments	<b>(7.5)</b>	(16.2)	(10.1)
Different tax rates of subsidiaries operating in different jurisdictions	<b>3.7</b>	6.8	(3.7)
Transactions undertaken in preparation of the demerger of the Americas Beverages business <sup>1</sup>	<b>(16.8)</b>	2.1	—
Other	<b>0.6</b>	17.1	1.2
Share of result of associates	<b>(0.7)</b>	(0.8)	—
<b>Effective tax rate for the year</b>	<b>7.5</b>	<b>41.3</b>	<b>27.9</b>

<sup>1</sup> The net tax (credit)/charge relates to certain re-organisations carried out in preparation for the demerger of the Americas Beverages business.

For details of taxation and the effective tax rate for discontinued operations see Note 31(e).

## 12. Dividends

	2008 £m	2007 £m	2006 £m
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the prior year of 10.5p (2007: 9.9p, 2006: 9.0p) per share	<b>222</b>	207	187
Interim dividend for the year of 5.3p (2007: 5.0p, 2006: 4.1p) per share	<b>73</b>	104	85
	<b>295</b>	<b>311</b>	<b>272</b>

At the year end date the final dividend had not been approved by the shareholders at the AGM and as such is not included as a liability. A final dividend for the year ended 31 December 2008 of 11.1 pence per share has been proposed, equivalent to a cash payment of approximately £150 million. The Company will not incur any tax charge upon payment of the proposed dividend.

The interim dividend payments made in 2008 relate to dividends paid on Cadbury plc shares, whereas other dividend payments relate to Cadbury Schweppes plc shares.

## 13. Earnings per share

Set out below are earnings per share figures for statutory earnings measure and underlying earnings. IAS 33 specifically permits the inclusion of an alternative component of earnings provided these are presented with equal prominence and a reconciliation is provided between the component used and the line item from the income statement.

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### (a) Basic EPS — continuing and discontinued

An explanation of the use of an alternative EPS measure is given in Note 1 (y). The reconciliation between reported and underlying EPS, and between the earnings figures used in calculating them, is as follows:

	Earnings 2008 £m	EPS 2008 pence	Earnings 2007 £m	EPS 2007 pence	Earnings 2006 £m	EPS 2006 pence
<b>Reported — continuing and discontinued</b>	<b>364</b>	<b>22.6</b>	<b>405</b>	<b>19.4</b>	<b>1,169</b>	<b>56.4</b>
Restructuring costs <sup>1</sup>	203	12.6	200	9.6	133	6.4
Amortisation and impairment of acquisition intangibles	12	0.7	42	2.0	38	1.8
Non-trading items	(2)	(0.1)	(2)	(0.1)	(671)	(32.3)
Contract termination gain	—	—	(31)	(1.5)	—	—
UK product recall	—	—	—	—	30	1.4
Nigeria adjustments	—	—	—	—	23	1.1
Demerger/disposal costs	122	7.5	40	1.9	—	—
IAS 39 adjustment	(46)	(2.8)	(4)	(0.2)	9	0.5
Effect of tax on above items <sup>2</sup>	(168)	(10.4)	(20)	(0.9)	(26)	(1.2)
Release of disposal tax provisions	—	—	—	—	(51)	(2.5)
<b>Underlying — continuing and discontinued</b>	<b>485</b>	<b>30.1</b>	<b>630</b>	<b>30.2</b>	<b>654</b>	<b>31.6</b>

<sup>1</sup> Restructuring costs are made up of £194 million (2007: £165 million, 2006: £107 million) for continuing operations, £6 million (2007: £35 million, 2006: £26 million) for discontinued operations and £3 million (2007 and 2006: £nil) relating to the unwind of discounts on provisions recognised within financing costs.

<sup>2</sup> Effect of tax on above items includes a £39 million credit (2007: £21 million charge, 2006: £nil) relating to certain reorganisations carried out in preparation for the demerger of the Americas Beverages business, a £44 million credit (2007 and 2006: £nil) relating to the recognition of deferred tax assets arising from the reassessment of capital losses and the tax basis of goodwill on the classification of Australia Beverages as an asset held for sale and in 2006 a £17 million deferred tax credit arising on the intra-group transfer of retained brands.

### (b) Diluted EPS — continuing and discontinued

Diluted EPS has been calculated based on the reported and underlying earnings amounts above. The diluted reported and underlying EPS are set out below:

	2008 pence	2007 pence	2006 pence
<b>Diluted reported — continuing and discontinued</b>	<b>22.6</b>	19.2	55.9
<b>Diluted underlying — continuing and discontinued</b>	<b>30.0</b>	29.9	31.3

A reconciliation between the shares used in calculating basic and diluted EPS is as follows:

	2008 million	2007 million	2006 million
Average shares used in Basic EPS calculation	1,611	2,087	2,072
Dilutive share options outstanding	3	21	19
<b>Shares used in diluted EPS calculation</b>	<b>1,614</b>	<b>2,108</b>	<b>2,091</b>

Share options not included in the diluted EPS calculation because they were non-dilutive in the period totalled 3 million in 2008 (2007: nil, 2006: 1 million), as the exercise price of these share options was above the average share price for the relevant year.



**(c) Continuing operations EPS**

The reconciliation between reported continuing and underlying continuing EPS, and between the earnings figures used in calculating them, is as follows:

	Earnings 2008 £m	EPS 2008 pence	Re-presented Earnings 2007 £m	Re-presented EPS 2007 pence	Re-presented Earnings 2006 £m	Re-presented EPS 2006 pence
<b>Reported — continuing operations</b>	<b>368</b>	<b>22.8</b>	<b>147</b>	<b>7.0</b>	<b>180</b>	<b>8.7</b>
Restructuring costs <sup>1</sup>	197	12.2	165	7.9	107	5.1
Amortisation and impairment of acquisition intangibles	4	0.2	18	0.9	19	0.9
Non-trading items	(1)	—	(2)	(0.1)	(23)	(1.0)
UK product recall	—	—	—	—	30	1.4
Nigeria adjustments	—	—	—	—	23	1.1
IAS 39 adjustment	(41)	(2.5)	(5)	(0.2)	4	0.2
Effect of tax on above items <sup>2</sup>	(126)	(7.8)	(16)	(0.8)	(41)	(2.0)
<b>Underlying — continuing operations</b>	<b>401</b>	<b>24.9</b>	<b>307</b>	<b>14.7</b>	<b>299</b>	<b>14.4</b>

<sup>1</sup> Restructuring costs are made up of £194 million (2007: £165 million, 2006: £107 million) for continuing operations and £3 million (2007 and 2006: £nil) relating to the unwind of discounts on provisions recognised within financing costs.

<sup>2</sup> Effect of tax on above items includes a £68 million credit (2007: £6 million charge, 2006: £nil) relating to certain reorganisations carried out in preparation for the demerger of the Americas Beverages business.

Diluted continuing EPS has been calculated based on the reported continuing and underlying continuing earnings amounts above. A reconciliation between the shares used in calculating basic and diluted EPS is set out above. The diluted reported and underlying earnings per share from continuing operations are set out below:

	2008 pence	2007 pence	2006 pence
<b>Diluted reported — continuing operations</b>	<b>22.8</b>	7.0	8.6
<b>Diluted underlying — continuing operations</b>	<b>24.8</b>	14.6	14.3

EPS information for discontinued operations is presented in Note 31(g).

## 14. Goodwill

	£m
<b>Cost</b>	
At 1 January 2007	2,502
Exchange differences	78
Recognised on acquisition of subsidiaries	257
Transferred to assets held for sale	(1)
Derecognised on disposal	(3)
<b>At 31 December 2007</b>	<b>2,833</b>
Exchange differences	381
Fair value adjustments on acquisition of subsidiaries	(8)
Transferred to assets held for sale	(19)
Demerger of Americas Beverages (see Note 31)	(871)
<b>At 31 December 2008</b>	<b>2,316</b>
<b>Impairment</b>	
At 1 January 2007	(15)
Impairment charge in the year	(13)
<b>At 31 December 2007</b>	<b>(28)</b>
Impairment charge in the year	—
<b>At 31 December 2008</b>	<b>(28)</b>
<b>Net book value at 31 December 2007</b>	<b>2,805</b>
<b>Net book value at 31 December 2008</b>	<b>2,288</b>

In 2008, the Group demerged its Americas Beverages business, and the goodwill relating to this business has therefore left the Group. At 31 December 2008 the Australia Beverages business is classified as held for sale.

Fair value adjustments in the year relate to final adjustments to the opening balance sheets of businesses acquired in 2007 and adjustments to consideration paid on these acquisitions.

In 2007, goodwill recognised on acquisition of subsidiaries includes £177 million arising from the acquisition of Intergum, a gum business in Turkey, £34 million on the acquisition of Sansei Foods in Japan, £14 million on the acquisition of Kandia-Excelent in Romania and £4 million on SeaBevs in the US, and £28 million of adjustments to the CSBG opening balance sheet following the 2006 acquisition.

The impairment charge recognised in 2007 relates to the Group's business in China. The Group's strategy relating to China was revised in the first half of 2007 with a change in focus to concentrate on key brands and streamline the distribution network which led to the impairment of goodwill historically recognised.

The Group tests goodwill annually for impairment, or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the cash generating units (CGUs) to which goodwill has been allocated are determined based on value in use calculations which are the present value of the future cash flows expected to be obtained from the CGUs. The key assumptions for the value in use calculations for all CGUs are those regarding discount rates, long-term growth rates and expected changes to the cash flows generated by the CGU during the period. Initially a post-tax discount rate based on the Group's weighted average cost of capital of 8%, adjusted where appropriate for country specific risks, is applied to calculate the net present value of the post-tax cash flows. If this indicates that the recoverable value of the unit is close to or below its carrying value, the impairment test is reperformed using a pre-tax discount rate and pre-tax cash flows in order to determine if an impairment exists and to establish its magnitude. Changes to the cash flows are determined for each CGU and are based on local management forecasts, past performance and the impact of Group strategies such as focus brands and markets.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next four years and extrapolates cash flows for no more than a further five years, using a steady growth rate applicable to the relevant market. During this five year period the growth rate for developed markets is forecast inflation and for emerging markets is the forecast GDP growth of the relevant countries. This rate does not exceed the average long-term growth rate for the relevant markets. The cash flows are assumed to continue in perpetuity at the long-term growth rate for the relevant countries, which are based on external industry forecasts of inflation.

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Management believes that there are no reasonably possible changes to the key assumptions in the next year which would result in the carrying amount of goodwill exceeding the recoverable amount.

The carrying amounts of significant goodwill allocated for impairment testing purposes to each cash generating unit and the related assumptions used in assessing recoverable amount are as follows:

	Long term growth rate	Post-tax discount rate	Pre-tax discount rate	2008 £m	2007 £m
North America Beverages	n/a	n/a	n/a	—	866
US & Canadian Confectionery	2.4%	8.5%	13.8%	<b>1,001</b>	780
Northern Latin America Confectionery	4.1%	13.3%	18.5%	<b>273</b>	254
Turkey	5.3%	15.3% <sup>2</sup>	19.1%	<b>270</b>	269
Other <sup>1</sup>	1.1%-10.4%	8%-21%	10%-32.3%	<b>744</b>	636
				<b>2,288</b>	2,805

<sup>1</sup> Other represents the other 15 continuing CGUs which are not individually significant to the Group.

<sup>2</sup> The blended discount rate applied to Turkey reflects the risks of the domestic market (17%) and the other markets in which the CGU operates.

The North America Beverages goodwill arose principally on the acquisition of DPSU, Snapple, Motts and CSBG and was demerged in the year as part of the Americas Beverages business. The US & Canadian Confectionery and Northern Latin America Confectionery goodwill arose principally from the Adams acquisition in 2003. The Turkey goodwill arose from the acquisitions of Intergum, Kent and Adams.

## 15. Other intangible assets

	Brand intangibles £m	Franchise intangibles and customer relationships £m	Total acquisition intangibles £m	Software £m
<b>Cost</b>				
At 31 January 2007	2,900	400	3,300	230
Exchange differences	33	(5)	28	5
Recognised on acquisition of subsidiaries	115	11	126	—
Additions	—	—	—	30
Disposals	—	(8)	(8)	—
Transfers to assets held for sale	—	—	—	(1)
<b>At 31 December 2007</b>	<b>3,048</b>	<b>398</b>	<b>3,446</b>	<b>264</b>
Exchange differences	289	2	291	21
Additions	—	—	—	29
Disposals	—	—	—	(4)
Finalisation of fair value of acquisitions	—	(3)	(3)	—
Demerger of Americas Beverages	(1,713)	(397)	(2,110)	(135)
Transfer to assets held for sale	—	—	—	(52)
<b>At 31 December 2008</b>	<b>1,624</b>	<b>—</b>	<b>1,624</b>	<b>123</b>
<b>Amortisation</b>				
At 1 January 2007	(22)	(17)	(39)	(75)
Exchange differences	—	—	—	(2)
Charge for the year	(8)	(21)	(29)	(38)
<b>At 31 December 2007</b>	<b>(30)</b>	<b>(38)</b>	<b>(68)</b>	<b>(115)</b>
Exchange differences	—	—	—	(9)
Charge for the year	(4)	(8)	(12)	(38)
Disposals	—	—	—	3
Demerger of Americas Beverages	8	46	54	81
Transfers to assets held for sale	—	—	—	42
<b>At December 2008</b>	<b>(26)</b>	<b>—</b>	<b>(26)</b>	<b>(36)</b>
<b>Carrying amount</b>				
<b>At 31 December 2007</b>	<b>3,018</b>	<b>360</b>	<b>3,378</b>	<b>149</b>
<b>At 31 December 2008</b>	<b>1,598</b>	<b>—</b>	<b>1,598</b>	<b>87</b>

The Group does not amortise over 95% of its brands by value. In arriving at the conclusion that a brand has an indefinite life, management considers the fact that the Group is a brands business and expects to acquire, hold and support brands for an indefinite period. The Group supports its brands through spending on consumer marketing and through significant investment in promotional support, which is deducted in arriving at revenue.

The franchise intangible and customer relationships relate to the acquisition of CSBG and other bottling operations, part of the American Beverage business which was demerged in the year. No amortisation is charged on franchise rights acquired through acquisitions where the rights relate to brands owned by the Group and these brands have been assigned an indefinite life. This is because the Group believes that these rights will extend indefinitely. Franchise rights to brands not owned by the Group are amortised consistent with the life of the contract. Customer relationships are amortised over their expected useful life which is between 5 to 10 years. The amortisation period for software intangibles is no greater than 8 years.

The Group tests indefinite life brand intangibles annually for impairment, or more frequently if there are indications that they might be impaired. The recoverable amounts of the brand intangibles are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding discount rates, growth rates and expected changes to cash flows generated by the brand during the period. Initially a post-tax discount rate based on the Group's weighted average cost of capital of 8%, adjusted where appropriate for country specific risks of the brands main markets, is applied to calculate the net present value of the post-tax cash flows. If this indicates that the recoverable value of the brand is close to or below its carrying value, the impairment test is reperformed using a pre-tax discount rate and pre-tax cash flows in order to determine if an impairment exists and to establish its magnitude.

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The long term growth rates are based on external industry forecasts of inflation. Changes to the cash flows are based on local management forecasts, past performance and include the impact of Group strategies, such as focus brands.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next four years and extrapolates cash flows in perpetuity, using a steady growth rate applicable to the relevant market (between 1% and 6%). This rate does not exceed the average long-term growth rate for the relevant markets.

The impairment review of First, a brand acquired as part of the Intergum acquisition in 2007 and held at a fair value of £54 million, shows limited headroom. This is as a consequence of the brand being recognised at fair value as measured on its recent acquisition in August 2007 and the significant increase in discount rates since the acquisition. The brand continues to perform in line with management's expectations and the acquisition case. First is a focus brand within Turkey and could therefore, show growth greater than the long term growth rate used in the valuation model, which is limited by the assumptions applied. The value in use of this brand will continue to be monitored by the management of the Group. A 1% increase in discount rate would result in a 13% reduction in the valuation, and a 10% reduction in revenue would result in a 19% reduction in valuation.

With the exception of First, management believes that there are no reasonably possible changes to the key assumptions in the next year which would result in the carrying amount of intangible assets exceeding the recoverable amount.

### Significant intangible assets details

Description	Long term growth rate	Post-tax discount rate	Pre-tax discount rate	Carrying amount 2008 £m	Carrying amount 2007 £m	Remaining amortisation period	
<b>Acquisition intangibles</b>							
<b>- Confectionery</b>							
Halls	Candy	2.8%	10.1%	16.2%	426	312	Indefinite life
Trident	Gum	2.7%	9.7%	15.0%	271	238	Indefinite life
Dentyne	Gum	2.3%	8.5%	13.6%	152	134	Indefinite life
<b>- Beverages</b>							
Dr Pepper/7 UP	Carbonated soft drink	n/a	n/a	n/a	—	907	Indefinite life
Snapple	Non-carbonated soft drink	n/a	n/a	n/a	—	374	Indefinite life
Hawaiian Punch	Non-carbonated soft drink	n/a	n/a	n/a	—	104	Indefinite life
Dr Pepper/7 UP franchise agreements	Carbonated soft drink distribution rights	n/a	n/a	n/a	—	282	Indefinite life
Other <sup>1</sup>		1.1%-7.2%	8.0%-17.5%	10.9%-24.2%	749	1,027	
					<b>1,598</b>	<b>3,378</b>	

<sup>1</sup> Other represents the other brands which are not individually significant to the Group.

## 16. Property, plant and equipment

### (a) Analysis of movements

	Land and buildings £m	Plant and equipment £m	Assets in course of construction £m	Total £m
<b>Cost</b>				
At 1 January 2007	648	2,251	235	3,134
Exchange rate adjustments	31	99	21	151
Additions	9	62	322	393
Additions on acquisitions of subsidiaries	53	34	—	87
Transfers on completion	20	207	(227)	—
Transfers to assets held for sale	(19)	(29)	(68)	(116)
Disposals	(10)	(46)	—	(56)
<b>At 31 December 2007</b>	<b>732</b>	<b>2,578</b>	<b>283</b>	<b>3,593</b>
Exchange rate adjustments	74	256	45	375
Additions	7	51	417	475
Finalisation of fair value on acquisitions	(7)	(5)	—	(12)
Transfers on completion	93	249	(342)	—
Disposals	(9)	(87)	—	(96)
Demerger of Americas Beverages	(197)	(465)	(90)	(752)
Transfers to assets held for sale	(47)	(187)	(19)	(253)
<b>At 31 December 2008</b>	<b>646</b>	<b>2,390</b>	<b>294</b>	<b>3,330</b>
<b>Accumulated depreciation</b>				
At 1 January 2007	(130)	(1,340)	—	(1,470)
Exchange rate adjustments	(5)	(61)	—	(66)
Depreciation for the year	(22)	(191)	—	(213)
Transfers to assets held for sale	6	26	—	32
Disposals	—	28	—	28
<b>At 31 December 2007</b>	<b>(151)</b>	<b>(1,538)</b>	<b>—</b>	<b>(1,689)</b>
Exchange rate adjustments	(22)	(158)	—	(180)
Depreciation for the year	(19)	(175)	—	(194)
Disposals	3	64	—	67
Demerger of Americas Beverages	45	248	—	293
Transfers to assets held for sale	6	128	—	134
<b>At 31 December 2008</b>	<b>(138)</b>	<b>(1,431)</b>	<b>—</b>	<b>(1,569)</b>
<b>Carrying amount</b>				
At 31 December 2007	581	1,040	283	1,904
<b>At 31 December 2008</b>	<b>508</b>	<b>959</b>	<b>294</b>	<b>1,761</b>

The value of land not depreciated is £117 million (2007: £183 million).

### (b) Finance leases

The net book value of plant and equipment held under finance leases is made up as follows:

	2008 £m	2007 £m
Cost	222	224
Less: accumulated depreciation	(200)	(190)
	<b>22</b>	<b>34</b>

**(c) Analysis of land and buildings**

	2008 £m	2007 £m
<b>Analysis of net book value</b>		
Freehold	484	531
Long leasehold	14	19
Short leasehold	10	31
	<b>508</b>	<b>581</b>

**(d) Capital commitments**

Commitments for capital expenditure contracted for but not provided in the Group financial statements at the end of the year were £7 million (2007: £16 million).

**17. Investment in associates**

**(a) Analysis of components**

	2008 £m	2007 £m
Shares in associated undertakings		
- Unlisted	28	32
<b>Total net book value of associates</b>	<b>28</b>	<b>32</b>

Details of the principal associated undertakings are set out in Note 35.

**(b) Analysis of movements in associated undertakings**

	Total £m
Cost/carrying value at 1 January 2007	19
Exchange rate adjustments	(1)
Additions	10
<b>Cost/carrying value at 31 December 2007</b>	<b>28</b>
Exchange rate adjustments	2
Demerger of Americas Beverages	(7)
<b>Cost/carrying value at 31 December 2008</b>	<b>23</b>
Share of equity at 1 January 2007	3
Share of profit from operations	12
Share of interest	1
Share of taxation	(4)
Dividends received	(8)
<b>Share of equity at 31 December 2007</b>	<b>4</b>
Share of profit from operations	14
Share of interest	2
Share of taxation	(5)
Dividends received	(10)
<b>Share of equity at 31 December 2008</b>	<b>5</b>
Net book value at 31 December 2007	32
<b>Net book value at 31 December 2008</b>	<b>28</b>

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The Group's investment in Camelot Group plc, the UK National Lottery Operator, is included in unlisted associated undertakings. Camelot has certain restrictions on dividend payments. In particular it requires the prior consent of the Director General of the National Lottery to declare, make or pay a dividend in excess of 40% of profit after tax for any financial year.

### (c) Additional associated undertaking disclosures

Selected income statement and balance sheet headings for associated undertakings of continuing operations are as follows:

	2008 £m	2007 £m
Revenue	5,185	4,947
Profit for the period	51	39
Total assets	551	461
Total liabilities	(409)	(350)

### 18. Investments

	2008 £m	2007 £m
Available for sale investments	2	2

The investments included above represent investments in equity securities that present the Group with opportunity for returns through dividend income and trading gains. They have no fixed maturity or coupon rate. The securities have been recorded at fair value.

### 19. Inventories

	2008 £m	2007 £m
Raw materials and consumables	228	255
Work in progress	92	69
Finished goods and goods for resale	447	497
	767	821

The cost of inventories recognised as an expense for the period ended 31 December 2008 total £2,870 million (2007: £2,504 million).

### 20. Trade and other receivables

	2008		2007	
	Current £m	Non-current £m	Current £m	Non-current £m
Trade receivables	835	—	997	—
Less: provision for impairment of trade receivables	(46)	—	(45)	—
	789	—	952	—
Amounts owed by associated undertakings	1	—	1	—
Other taxes recoverable	75	—	60	—
Other debtors	121	28	82	50
Prepayments and accrued income	81	—	102	—
	1,067	28	1,197	50

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. Trade receivables are primarily denominated in the functional currency of the relevant Group reporting company. Trade receivables are categorised as loans and receivables under IAS 39.



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In determining the recoverability of the trade receivable, the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for impairment of trade receivables.

The movement on the provision for impairment of trade receivables is as follows:

	2008 £m	2007 £m
Balance at beginning of year	45	32
Exchange adjustments	4	4
Charged to profit and loss account	15	11
Acquisition of subsidiaries	—	13
Utilised	(4)	(15)
Demerger of Americas Beverages	(13)	—
Transfer to assets held for sale	(1)	—
<b>Balance at end of year</b>	<b>46</b>	<b>45</b>

The aged analysis of past due but not impaired receivables is as follows:

	2008 £m	2007 £m
Total trade receivables	835	997
Less: provision for impairment of trade receivables	(46)	(45)
	<b>789</b>	<b>952</b>

### Of which:

Not overdue	657	748
Past due less than three months	123	177
Past due more than three months	9	27
	<b>789</b>	<b>952</b>

## 21. Assets held for sale

	2008 £m	2007 £m
At the beginning of the year	71	22
Additions	270	71
Disposals	(71)	(22)
<b>At the end of the year</b>	<b>270</b>	<b>71</b>

The additions to assets held for sale in the year relate primarily to the Australia Beverages business, whose assets include £145 million non-current assets and £122 million current assets. Liabilities directly associated with Australia Beverages are £97 million.

The additions to assets held for sale in 2007 relate primarily to Monkhill, a UK confectionery business, whose assets include £48 million non-current assets and £21 million current assets. Liabilities directly associated with Monkhill are £18 million.

## 22. Trade and other payables

	2008		2007	
	Current £m	Non-current £m	Current £m	Non-current £m
Trade payables	586	—	640	—
Amounts owed to associated undertakings	—	—	3	—
Payments on account	—	—	1	—
Interest accruals	31	9	35	—
Other taxes and social security costs	100	—	102	—
Accruals and deferred income	561	—	597	—
Other payables	273	52	323	37
	<b>1,551</b>	<b>61</b>	<b>1,701</b>	<b>37</b>

The Directors consider that the carrying amount of trade payables approximates to their fair value. Trade payables are primarily denominated in the functional currency of the relevant Group reporting company.

## 23. Provisions

	Restructuring provisions £m	Acquisition demerger and disposal £m	Contractual, legal and other £m	Total £m
<b>At 1 January 2007</b>	<b>66</b>	<b>5</b>	<b>2</b>	<b>73</b>
Exchange rate adjustments	4	—	1	5
Recognised in the income statement	224	—	7	231
Transfer from other creditors	—	—	8	8
Assumed on acquisition	—	—	4	4
Utilised in the year -cash	(141)	(1)	(2)	(144)
Utilised in the year -non-cash	(1)	—	(4)	(5)
<b>At 31 December 2007</b>	<b>152</b>	<b>4</b>	<b>16</b>	<b>172</b>
Exchange rate adjustments	5	33	1	39
Recognised in the income statement - continuing	217	—	7	224
Recognised in the income statement - discontinued	7	—	—	7
Demerger of Americas Beverages	(10)	—	—	(10)
Transfer of onerous contract provisions	(56)	—	56	—
Indemnities arising on demerger	—	117	—	117
Utilised in the year -cash - continuing	(154)	—	(2)	(156)
Utilised in the year -cash - discontinued	(16)	—	—	(16)
Utilised in the year -non-cash	(9)	—	—	(9)
<b>At 31 December 2008</b>	<b>136</b>	<b>154</b>	<b>78</b>	<b>368</b>
			<b>2008 £m</b>	<b>2007 £m</b>
Amount due for settlement within 12 months			<b>150</b>	111
Amount due for settlement after 12 months			<b>218</b>	61
			<b>368</b>	<b>172</b>

### Restructuring provisions

The charge to the income statement for restructuring (excluding business improvement costs) includes £6 million (2007: £35 million) related to discontinued operations, the balance of the charge, relating to continuing operations, is explained in Note 4. The charge in the table above includes £23 million (2007: £24 million) of business improvement costs. The majority of the restructuring provision relates to redundancy costs expected to be incurred in the following year.

### Acquisition, demerger and disposal provisions

Acquisition and disposal provisions relate to provisions required when businesses are acquired or disposed. The demerger of the Americas Beverages business resulted in the Group giving certain indemnities to the Dr Pepper Snapple Group, Inc in relation to liabilities, including potential tax liabilities, which were demerged with Americas Beverages, which were incurred while the business was part of the Group but were not settled at the time of demerger.

### Contractual, legal and other provisions

Contractual, legal and other provisions relate to the Group's ongoing obligations relating to current litigation, the disposal of subsidiaries, investments and brands and onerous lease provisions on vacant properties and other contracts. Given the significance of costs in 2008, whilst included in restructuring in the income statement, we believe it is more appropriate to show the provision within contractual, legal and other provisions. Accordingly, during the year £56 million (2007: £nil) of onerous contract provisions were transferred from restructuring provisions to contractual, legal and other provisions. In addition £nil (2007: £8 million) of provision obligations were transferred from other balance sheet accounts.

### 24. Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods.

	Accelerated tax depreciation £m	Acquisition intangibles £m	Retirement benefit obligations £m	Losses £m	Other £m	Total £m
<b>At 1 January 2007</b>	<b>85</b>	<b>997</b>	<b>(39)</b>	<b>(44)</b>	<b>(119)</b>	<b>880</b>
Charge/(credit) to equity for the year	—	—	51	—	(9)	42
Charge/(credit) to income statement	20	53	19	(7)	(43)	42
Acquisition of subsidiary	7	40	—	—	(3)	44
Disposal of subsidiary	—	—	—	—	1	1
Exchange differences	3	11	1	1	(4)	12
<b>At 31 December 2007</b>	<b>115</b>	<b>1,101</b>	<b>32</b>	<b>(50)</b>	<b>(177)</b>	<b>1,021</b>
Credit to equity for the year	—	—	(97)	—	—	(97)
(Credit)/charge to income statement						
- continuing operations	(38)	(155)	7	(52)	25	(213)
- discontinued operations	(2)	(131)	5	(13)	11	(130)
Acquisition of subsidiary	(4)	(4)	—	—	1	(7)
Demerger of Americas Beverages	(43)	(644)	11	4	34	(638)
Transfers	4	—	(8)	5	(1)	—
Exchange differences	10	28	(13)	(11)	(10)	4
<b>At 31 December 2008</b>	<b>42</b>	<b>195</b>	<b>(63)</b>	<b>(117)</b>	<b>(117)</b>	<b>(60)</b>

'Other' consists primarily of: short-term temporary differences of £96 million (2007: £94 million); deferred tax on restructuring provisions of £4 million (2007: 34 million); and deferred tax on share awards totalling £16 million (2007: £36 million).

The following is the analysis of the deferred tax balances for balance sheet purposes:

	2008 £m	2007 £m
Deferred tax assets	(181)	(124)
Deferred tax liabilities	121	1,145
	<b>(60)</b>	<b>1,021</b>

At the balance sheet date the Group has unused tax losses for which no deferred tax asset has been recognised of £183 million (2007: £179 million). The Group does not believe that it is more likely than not that these amounts will be recoverable. Tax losses of £9 million expire in 2009, £108 million expire between 2010 and 2021. Other tax losses may be carried forward indefinitely.

At the balance sheet date, the aggregate amount of undistributed earnings of overseas subsidiaries for which deferred tax liabilities have not been recognised is £4.3 billion (2007: £7.8 billion). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse.

Temporary differences arising in connection with interests in associates are insignificant.

## 25. Retirement benefit obligations

The Group has various pension schemes throughout the world and these cover a significant proportion of current employees. The principal schemes are of the funded defined benefit type, with benefits accruing based on salary and length of service. The schemes' assets are held in external funds administered by trustees and managed professionally. Regular assessments are carried out by independent actuaries and the long-term contribution rates decided on the basis of their recommendations, after discussions with trustees and the plan sponsor.

There are also a number of defined contribution schemes where benefits are limited to contributions.

In the UK, US, Canada and South Africa, the Group has certain post-retirement medical benefit schemes whereby the Group contributes towards medical costs for certain retirees. These contributions are paid only for retirees who were members of such medical schemes before retirement.

An analysis of the Group post-retirement cost included in profit from operations in the continuing Group is set out below:

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
UK defined benefit schemes	30	45	37
Overseas defined benefit schemes	18	21	27
Overseas defined contribution schemes	16	14	9
<b>Total</b>	<b>64</b>	<b>80</b>	<b>73</b>

Of the charge for the year, in respect of defined benefit schemes, recorded within profit from operations, £29 million (2007: £33 million, 2006: £34 million) has been included in cost of sales, £19 million (2007: £33 million, 2006: £30 million) has been included in Administrative expenses. Expected return on assets net of unwind of discount of £27 million (2007: £30 million, 2006: £27 million) has been recorded in Investment revenue from continuing operations and a £2 million charge (2007: £1 million charge, 2006: £2 million charge) has been recorded within discontinued operations. Actuarial gains and losses have been reported in the Statement of recognised income and expense.

An amount of £9 million (2007: £19 million, 2006: £17 million) has been recognised in profit in respect of discontinued operations and therefore, the total Group post retirement cost included in profit from operations is £73 million (2007: £99 million, 2006: £90 million). Of the charge in respect of discontinued operations, £4 million (2007: £9 million, 2006: £7 million) relates to defined benefit schemes.

Main financial assumptions as at year end:

	2008 %	2008 %	2007 %	2007 %
	UK schemes	Overseas schemes	UK schemes	Overseas schemes
Rate of increase in salaries	3.65	2.75-3.50	4.25	3.5-4.25
Rate of increase in pensions in payment <sup>1</sup>	2.80	2.15	3.25	2.15
Rate of increase for deferred pensioners <sup>1</sup>	2.65	2.15	3.25	2.15
Discount rate for scheme liabilities	6.10	3.50-6.75	5.80	5.25-6.0
Inflation	2.65	1.75-2.50	3.25	2.25-3.0
Medical cost inflation	5.50	5.00-8.50	5.80	5.0-9.0

<sup>1</sup> Guaranteed pension increases only apply to the UK and Irish pension schemes.

The impact of a 1% change in medical cost inflation would be insignificant to the Group's financial position and results for the year.

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In assessing the Group's post-retirement liabilities the Group monitors mortality assumptions and uses relevant mortality tables. Allowance is made in all significant schemes for expected future increases in life expectancy. The mortality assumptions for the UK scheme were updated in 2007 following the statistical analysis performed during the recent funding valuation. The analysis demonstrated that in recent years, life expectancy had improved and, to reflect this, it was decided to alter the mortality assumptions. The mortality table adopted (PA8OC 2007) has been amended to reflect scheme specific experience. In addition an allowance for future improvements has been accounted for in line with medium cohort assumptions, together with an underpin to future improvements of 1% a year.

In Ireland, an analysis of the mortality experience of the schemes has resulted in the mortality assumption being updated (to standard tables "00 Series") to assume longer life expectancies. Again, allowance has been made for expected future improvements in longevity of 1% a year from 2008.

Life expectancy at the plan retirement age of 60, on the assumptions used in the UK valuations, are as follows:

		2008	2007
Current pensioner	- male	25.5	24.9
	- female	28.6	27.8
Future pensioner (currently aged 45)	- male	27.2	26.1
	- female	30.2	28.8

The market value of the assets and liabilities of the defined benefit schemes and post-retirement medical benefit schemes as at 31 December 2008 are as follows:

	UK schemes expected rate of return %	Overseas schemes expected rate of return %	UK pension schemes market value £m	Overseas pension schemes market value £m	Post-retirement medical benefits market value £m	Total all schemes £m
Equities	8.0	7.0-8.5	746	259	—	1,005
Bonds	4.7	4.75-5.5	933	183	—	1,116
Property	7.0	5.6-6.9	102	31	—	133
Other	3.8	4.25-4.8	—	15	—	15
	6.2	6.3	1,781	488	—	2,269
Present value of benefit obligations			(1,779)	(715)	(33)	(2,527)
<b>Recognised in the balance sheet — asset</b>			17	—	—	17
<b>Recognised in the balance sheet — obligation</b>			(15)	(227)	(33)	(275)

The Group's policy is to recognise all actuarial gains and losses immediately. Consequently there are no unrecognised gains or losses.

The market value of the assets and liabilities of the defined benefit schemes and post-retirement medical benefit schemes as at 31 December 2007 were as follows:

	UK schemes expected rate of return %	Overseas schemes expected rate of return %	UK pension schemes market value £m	Overseas pension schemes market value £m	Post-retirement medical benefits market value £m	Total all schemes £m
Equities	8.0	7.0-8.5	963	379	2	1,344
Bonds	5.0	4.75-5.5	923	191	1	1,115
Property	7.0	5.60-6.9	144	51	—	195
Other	6.0	4.25-4.8	70	21	—	91
	6.6	6.7	2,100	642	3	2,745
Present value of benefit obligations			(1,894)	(731)	(40)	(2,665)
<b>Recognised in the balance sheet — asset</b>			217	6	—	223
<b>Recognised in the balance sheet — obligation</b>			(11)	(95)	(37)	(143)

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Changes in the present value of the defined benefit obligation are as follows:

	2008 £m	2007 £m
Opening defined benefit obligation	(2,665)	(2,744)
Current service cost	(62)	(76)
Curtailed gain	10	1
Interest cost	(146)	(143)
Actuarial gains	197	207
Contributions by employees	(5)	(6)
Liabilities extinguished on settlements	—	6
Demerger of Americas Beverages	261	—
Exchange differences	(233)	(40)
Benefits paid	116	130
<b>Closing defined benefit obligation</b>	<b>(2,527)</b>	<b>(2,665)</b>

Of the £2,527 million of defined benefit obligations above, £114 million (2007: £94 million) are in respect of unfunded schemes. Of the remaining obligation of £2,413 million, assets of £2,269 million are held.

Changes in the fair value of these scheme assets are as follows:

	2008 £m	2007 £m
Opening fair value of scheme assets	2,745	2,540
Expected return	172	172
Actuarial (losses)/gains	(585)	11
Contributions by employees	5	6
Contributions by employer — normal	54	72
Contributions by employer — additional	30	48
Assets utilised in settlements	—	(6)
Demerger of Americas Beverages	(224)	—
Exchange differences	188	32
Benefits paid	(116)	(130)
<b>Closing fair value of scheme assets</b>	<b>2,269</b>	<b>2,745</b>

The actual loss on scheme assets was £413 million (2007: £183 million gain). The scheme assets do not directly include any of the Group's own financial instruments, nor any property occupied by, or other assets used by, the Group. In 2008, the Group elected to make an additional £23 million (2007: £21 million) and £7 million (2007: £27 million) contribution to the UK and Ireland pension schemes respectively. These payments were in accordance with deficit recovery plans agreed between the company and the trustees.

The expected rates of return on individual categories of scheme assets are determined after taking advice from external experts and using available market data, for example by reference to relevant equity and bond indices published by Stock Exchanges. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the schemes' investment portfolio.

The history of the schemes for the current and prior periods is as follows:

	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Present value of defined benefit obligation	(2,527)	(2,665)	(2,744)	(2,666)	(2,372)
Fair value of scheme assets	2,269	2,745	2,540	2,297	1,887
<b>(Deficit)/surplus</b>	<b>(258)</b>	<b>80</b>	<b>(204)</b>	<b>(369)</b>	<b>(485)</b>
Experience (losses)/gains on scheme liabilities	(25)	55	(49)	15	(50)
Change in assumptions	222	152	38	(199)	(93)
Experience adjustments on scheme assets	(585)	11	82	260	71

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The total gross amount recognised in the statement of recognised income and expense in 2008 is a loss of £388 million; the cumulative total gross amount in respect of 2004–2008 is a loss of £95 million.

The Group expects to contribute approximately £56 million to its defined benefit schemes in 2009. In addition, management agreed to make additional scheduled recovery contributions of approximately £4 million in 2009 to further fund its defined benefit obligation in the UK.

Set out below are certain additional disclosures in respect of the main UK defined benefit pension scheme, Cadbury Pension Fund (CPF), which represents approximately 65% of the Group's post-retirement liabilities.

The CPF scheme assets are held in a separate Trustee Fund. The Trustee of the Fund is required to act in the best interest of the Fund's beneficiaries. The Trustee to the Fund is a corporate body whose board is made up of 10 members; 5 are appointed by the Company and 5 are appointed by the Pensions Consultative Committee (a body that represents members' interests). The employer contribution rate is generally reviewed every 3 years at the time of the triennial valuation. The next valuation is due April 2010.

The Group offers defined benefit retirement benefits to all of its current UK employees. The retirement benefits provided to employees joining after July 2001 are based on career average earnings, revalued for inflation with a ceiling limit of 5%. Benefits provided to members who joined the Group prior to this date are linked to final salary.

The principal disclosures regarding actuarial assumptions (including mortality) are set out above. The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below.

Assumption	Change in assumption	Impact on liabilities
Discount rate	Increase/decrease by 0.5%	Decrease/increase by 8.5%
Rate of mortality	Increase by 1 year	Increase by 3.5%

The most recently completed funding valuation for the Fund was performed by an independent actuary for the Trustee of the Fund and was carried out as at 6 April 2007. The levels of contribution are based on the current service costs and the expected future cash flows of the Fund.

Following this valuation the Group's ordinary contribution rate continued at the rate set of 15.5% of pensionable salaries (net of any salary sacrifice arrangements). In 2008 the Group contributed a further £18 million to the Cadbury Pension Fund in accordance with the 2005 funding plan. The Group considers that the contribution rates and additional contributions agreed with the Trustee in 2007 are sufficient to meet future plan liabilities.

At 31 December 2008, the Fund's assets were invested in a diversified portfolio that consisted primarily of equity and debt securities. The fair value of the scheme assets, as a percentage of total scheme assets and actual allocations, are set out below:

(as a percentage of total scheme assets)	Planned 2009	2008	2007	2006
Equity securities	44%	<b>42%</b>	49%	52%
Debt	50%	<b>52%</b>	42%	37%
Property	6%	<b>6%</b>	8%	10%
Other	—	<b>—</b>	1%	1%

Recent market conditions have impacted on the value of the CPF. However, due to a significant allocation of the schemes assets to debt, the CPF has performed well in these conditions.

In conjunction with the Trustee the Group has agreed to enter into a funding plan which includes discussion on the investment of its assets. These discussions include the risk return policy of the Group and set the framework of matching assets to liabilities based on this risk reward profile. The majority of equities relate to international entities. The aim is to hold a globally diversified portfolio of equities with at least 60% of equities being held in international equities. To maintain a wide range of diversification and to improve return opportunities, up to approximately 20% of assets are allocated to alternative investments such as fund of hedge funds, private equity and property.

## 26. Share-based payments

The continuing Group recognised an expense of £35 million (2007: £41 million, 2006: £33 million) related to equity-settled share-based payment transactions during the year and an amount of £2 million (2007: £8 million, 2006: £9 million) in respect of discontinued operations.

As previously described in Note 1(c), pursuant to the Scheme of Arrangement prior to the demerger of the Americas Beverages business, Cadbury Schweppes plc shareholders received 64 Cadbury plc ordinary shares and 12 DPSG shares for every 100 Cadbury Schweppes ordinary shares held. As a consequence, share options and awards were recalculated to ensure that in the new structure they had an equivalent value at the point of exchange (being 2 May 2008) to the original share options and awards.

The continuing operations expense of £35 million (2007: £41 million, 2006: £33 million) has been recognised in the primary segments as follows:

	2008 £m	2007 £m	2006 £m
BIMA	6	5	5
Europe	2	2	3
Americas	6	6	8
Asia Pacific	2	3	3
Central	19	25	14
	<b>35</b>	<b>41</b>	<b>33</b>

The Group has a number of share option plans that are available to Board members and certain senior executives: the Long Term Incentive Plan (LTIP), the Bonus Share Retention Plan (BSRP) and the Discretionary Share Option Plans (DSOP), full details of which are included in Item 6 on pages 81 to 84. The Group also operates share option schemes in certain countries which are available to all employees. Options are normally forfeited if the employee leaves the Group before the options vest. The Group has an International Share Award Plan (ISAP) which is used to reward exceptional performance amongst employees.

An expense is recognised for the fair value at the date of grant of the estimated number of shares that will be awarded to settle the options over the vesting period of each scheme.

### Share award fair values

The fair value is measured using the valuation technique that is considered to be the most appropriate to value each class of award: these include Binomial models, Black-Scholes calculations and Monte Carlo simulations. These valuations take into account factors such as non-transferability, exercise restrictions and behavioural considerations. Key fair value and other assumptions are detailed below:

	Schemes granted in 2008			
	BSRP	LTIP	ISAP	Sharesave
Expected volatility	n/a	19%	n/a	20%
Expected life	3 yrs	3 yrs	1-3 yrs	Vesting + 5 months
Risk free rate	2.2%	n/a	2.7%-5.1%	4.0%-4.9%
Expected dividend yield	3.3%	2.5%	2.6%-3.3%	2.4%-2.8%
Fair value per option (% of share price at date of grant)	179.2% <sup>1</sup>	92.8%	89.9%-99.1%	19.8%-28.4%
Possibility of ceasing employment before vesting	—	—	—	10%-49%
Expectation of meeting performance criteria	70% <sup>2</sup>	70%	100%	n/a

<sup>1</sup> Fair value of BSRP includes 100% of the matching shares available.

<sup>2</sup> For more details on the BSRP awards refer to pages 81 to 84 of Item 6.



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	Schemes granted in 2007			
	BSRP	LTIP	ISAP	Sharesave
Expected volatility	n/a	15%	n/a	16-17%
Expected life	3 yrs	3 yrs	1-3 yrs	Vesting + 5 months
Risk free rate	5.5%	n/a	4.9%-5.8%	4.9%-5.8%
Expected dividend yield	2.5%	2.5%	2.5%-3.0%	1.9%-2.3%
Fair value per award (% of share price at date of grant)	185.5% <sup>1</sup>	92.8% UEPS 45.1% TSR	91.8%-99.3%	24.0%-36.3%
Possibility of ceasing employment before vesting	—	—	—	10%-41%
Expectations of meeting performance criteria	40%	70%	100%	n/a

<sup>1</sup> Fair value of BSRP includes 100% of the matching shares available.

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The BSRP is available to a group of approximately 120 senior executives including the executive Directors. The maximum number of shares awarded in 2008 was 2,895,265 (2007: 3,367,459). 998,489 shares vested in 2008 (2007: 1,531,921). Also during the period, matching awards were made over 756,023 shares (2007: 1,706,860). The fair value of the shares under the plan is based on the market price of the Company's ordinary shares on the date of the award. Where the awards do not attract dividends during the vesting period, the market price is reduced by the present value of the dividends expected to be paid during the expected life of the awards. Awards made under this scheme are classified as equity settled. The expense recognised in continuing operations in respect of these awards was £14 million (2007: £16 million, 2006: £6 million).

Around 120 senior executives (including the executive Directors) are granted a conditional award of shares under the LTIP. The number of shares awarded in respect of 2008 is 2,202,461 (2007: 3,055,676). 1,136,648 shares vested in 2008 (2007: 1,197,124) and lapsed shares totalled 431,506 (2007: 2,693,989). Awards made under this scheme are classified as equity settled. The expense recognised in continuing operations in respect of these awards was £10 million (2007: £5 million, 2006: £5 million).

Following the decision to cease granting discretionary options other than in exceptional circumstances, the ISAP is now used to grant conditional awards to employees, who previously received discretionary options. Around 2,000 employees were granted a total of 1,951,900 such awards in 2008 (2007: 2,258,795). Awards under this plan are classified as equity settled. There were 1,217,700 (2007: 333,120) lapses in the year. The expense recognised in continuing operations in respect of these awards was £6 million (2007: £6 million, 2006: £4 million).

DSOP and share save plans, details of which are set out below, resulted in a charge of £5 million in continuing operations in 2008 (2007: £14 million, 2006: £18 million).

**2008: Details of the share option plans are as follows:**

**Options in Cadbury Schweppes plc**

	Balance outstanding at the beginning of the year	Granted	Exercised	Cancelled	Balance outstanding at the end 1/05/2008	Exercise prices for options outstanding at 01/05/2008 in the range (in £ unless otherwise stated)	Weighted average exercise price of options outstanding at 01/05/2008 (in £ unless otherwise stated)	Weighted average contractual life in months of options outstanding at 01/05/2008	Exercisable at 01/05/2008	Weighted average exercise price of options currently exercisable at 01/05/2008 (in £ unless otherwise stated)
a	10,200,449	3,627 <sup>1</sup>	1,924,791	354,571	7,924,714	3.15-4.69	4.03	35.09	102,505	3.59
c	26,174,016	—	1,759,474	25,002	24,389,540	3.31-4.83	4.24	46.22	24,389,540	4.24
d	8,979,975	—	344,239	33,778	8,601,958	4.40-5.70	4.82	79.45	8,521,708	4.81
e	22,076,797	—	1,819,344	273,511	19,983,942	4.40-5.72	4.83	22.56	19,472,192	4.81
f	368,726	—	15,011	19,430	334,285	2.74-3.78	2.98	16.31	—	—
	481,472	—	19,385	11,242	450,845	4.23-5.21	4.65	30.25	—	—
h	236,940	—	31,385	20,824	184,731	2.74-3.78	3.05	26.94	3,587	3.39
	139,390	—	8,771	2,538	128,081	4.23-5.22	4.62	44.62	—	—
j	579,275	—	224,037	18,477	336,761	3.02-4.48	4.12	19.42	35,499	3.56
	198,923	—	—	846	198,077	4.59-4.69	4.68	38.16	—	—
	166,376	—	244	132,020	34,112	\$7.93	\$7.93	13.97	—	—
l	1,536,822	—	197,868	132,084	1,206,870	\$9.14	\$9.14	6.48	—	—
	359,676	—	4,468	33,812	321,396	\$9.67	\$9.67	18.48	—	—
n	1,759,359	—	48,648	189,467	1,521,244	\$9.14	\$9.14	6.48	—	—
	452,300	—	1,152	66,328	384,820	\$9.67	\$9.67	18.48	—	—

<sup>1</sup> 3,627 options which had been cancelled were subsequently re-instated during this period, as permitted under the Scheme rules.

Options in Cadbury plc

	Balance outstanding at 02/05/2008 <sup>1</sup>	Granted	Exercised	Cancelled	Balance outstanding at the end of the year	Exercise prices for options outstanding at the end of the year in the range (in £ unless otherwise stated)	Weighted average exercise price of options outstanding at the end of the year (in £ unless otherwise stated)	Weighted average contractual life in months of options outstanding at the end of the year	Exercisable at year end	Weighted average exercise price of options currently exercisable at year end (in £ unless otherwise stated)
a	7,110,533 <sup>2</sup>	17,294 <sup>3</sup>	338,011 <sup>4</sup>	377,096 <sup>5</sup>	6,412,720	3.51-5.22	4.49	27.48	—	—
b	—	1,606,274	—	16,710	1,589,564	5.05	5.05	57.95	—	—
c	21,892,263	80,669 <sup>6</sup>	6,308,700	165,601	15,498,631	3.69-5.38	4.73	39.19	15,498,631	4.73
d	7,721,232	2,750 <sup>6</sup>	1,899,608	64,859	5,759,515	4.90-6.34	5.44	71.98	5,759,515	5.44
e	17,939,314	41,201 <sup>6</sup>	4,725,286	234,849	13,020,380	4.90-6.37	5.46	72.16	13,020,380	5.46
f	298,538	—	186,359	2,893	109,286	3.05-4.21	3.69	19.78	1,418	3.05
	404,719	—	77,584	19,027	308,108	4.71-5.81	5.27	26.77	4,088	4.71
g	—	233,086	—	3,673	229,413	5.22	5.22	48.04	—	—
h	161,958	—	59,777	101	102,080	3.05-4.21	3.51	27.86	1,630	3.05
	114,973	—	13,299	5,677	95,997	4.71-5.81	5.17	39.44	626	4.71
i	—	134,286	—	1,127	133,159	5.22	5.22	63.38	—	—
j	301,999 <sup>7</sup>	—	5,644 <sup>8</sup>	46,258	250,097	3.36-4.99	4.65	14.46	—	—
	177,659	—	—	1,063	176,596	5.11-5.22	5.21	30.20	—	—
	29,784	—	16,124	13,660	—	—	—	—	—	—
k	—	263,715	—	—	263,715	5.05	5.05	48.05	—	—
l	1,083,408	—	374,420	708,988	—	—	—	—	—	—
	282,696	—	—	35,576	247,120	\$10.97	\$10.97	10.45	—	—
m	—	290,496	—	2,328	288,168	\$9.64	\$9.64	22.45	—	—
n	1,365,620	—	6,584	1,359,036	—	—	—	—	—	—
	338,588	—	180	51,160	287,248	\$10.97	\$10.97	10.45	—	—
o	—	311,148	2,424	—	308,724	\$9.64	\$9.64	22.45	—	—

<sup>1</sup> Options held in Cadbury Schweppes plc on 1 May 2008 were exchanged for options in Cadbury plc on 2 May 2008 using the formula as agreed in advance with HMRC (“the HMRC-approved formula”) which is described on page 78. Any variances may occur as a result of roundings on individual participants’ accounts.

<sup>2</sup> Participants of the Cadbury Schweppes Savings-Related Share Option Scheme 1982 holding a total of 60,655 options in Cadbury Schweppes plc elected not to transfer their options into Cadbury plc. These options have been included, using the HMRC-approved formula in the opening balance at 2 May 2008.

<sup>3</sup> 17,294 options which had been cancelled were subsequently re-instated during this period, as permitted under the Scheme rules.

<sup>4</sup> 317,098 options were exercised directly in Cadbury plc. 24 participants of the Cadbury Schweppes Savings-Related Share Option Scheme 1982 exercised 23,292 options in Cadbury Holdings Limited (formerly Cadbury Schweppes plc) between 2 May 2008 and 31 December 2008. As soon as the 23,292 shares were allotted, they were immediately exchanged for 20,913 shares in Cadbury plc, as required under the Scheme rules. The latter figure has been included in the total number of options exercised.

<sup>5</sup> 343,556 options were cancelled directly in Cadbury plc. 37,363 options in Cadbury Holdings Limited were cancelled between 2 May 2008 and 31 December 2008. These options have been included, using the HMRC-approved formula in the total number of options cancelled.

<sup>6</sup> Options which had been cancelled were subsequently reinstated during this period in accordance with the rules of each Plan.

<sup>7</sup> 1 participant of the Cadbury Schweppes International Savings-Related Share Option Scheme 1998 holding a total of 1,049 options in Cadbury Schweppes plc elected not to transfer these options into Cadbury plc. These options have been included, using the HMRC-approved formula in the opening balance at 2 May 2008.

<sup>8</sup> 4,708 options were exercised directly in Cadbury plc. 1 participant of the Cadbury Schweppes International Savings-Related Share Option Scheme 1998 exercised 1,043 options in Cadbury Holdings Limited (formerly Cadbury Schweppes plc) on 30 June 2008. As soon as the 1,043 shares were allotted, they were immediately exchanged for 936 shares in Cadbury plc, as required under the Scheme rules. The latter figure has been included in the total number of options exercised.

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2007: Details of the share option plans are as follows:

### Options in Cadbury Schweppes plc

	Balance outstanding at the beginning of the year	Granted	Exercised	Cancelled	Balance outstanding at the end of the year	Exercise prices for options outstanding at the end of the year in the range (in £ unless otherwise stated)	Weighted average exercise price of options outstanding at the end of the year (in £ unless otherwise stated)	Weighted average contractual life in months of options outstanding at the end of the year	Exercisable at year end	Weighted average exercise price of options currently exercisable at year end (in £ unless otherwise stated)
a	11,500,481	1,655,771	2,402,282	553,521	10,200,449	3.15-4.69	3.96	27	—	—
c	43,625,625	—	17,134,232	317,377	26,174,016	3.31-4.83	4.24	51	26,174,016	4.24
d	9,836,500	—	704,775	151,750	8,979,975	4.40-5.70	4.81	83	4,645,725	4.40
e	25,170,500	—	2,810,203	283,500	22,076,797	4.40-5.72	4.83	84	11,109,797	4.40
f	612,867	—	176,611	67,530	368,726	2.74-3.78	2.98	14	—	—
	377,827	146,303	13,136	29,522	481,472	4.23-5.22	4.64	28	—	—
h	346,665	—	76,040	33,685	236,940	2.74-3.78	3.06	25	—	—
	113,055	40,495	5,710	8,450	139,390	4.23-5.22	4.60	41	—	—
j	686,396	—	87,657	19,464	579,275	3.02-4.48	3.89	11	—	—
	32,813	175,118	284	8,724	198,923	4.59-4.69	4.68	36	—	—
	191,388	—	22,792	2,220	166,376	\$6.23-\$7.93	\$7.23	5	—	—
l	94,348	—	—	94,348	—	—	—	—	—	—
	1,297,460	—	1,099,112	198,348	—	—	—	—	—	—
	1,591,504	—	7,264	47,418	1,536,822	\$9.14	\$9.14	10	—	—
	—	359,712	—	36	359,676	\$9.67	\$9.67	22	—	—
n	806,372	—	536,836	269,536	—	—	—	—	—	—
	1,784,960	—	9,376	16,225	1,759,359	\$9.14	\$9.14	10	—	—
	—	452,448	—	148	452,300	\$9.67	\$9.67	22	—	—
p	92,754	—	73,089	19,665	—	—	—	—	—	—

- (a) The Cadbury Schweppes Savings-Related Share Option Scheme 1982 for employees was approved by shareholders in May 1982. These options, granted by Cadbury Schweppes plc prior to 2 May 2008, are normally exercisable within a period not later than 6 months after the repayment date of the relevant, “Save-as-you-Earn” contracts which are for a term of 3, 5 or 7 years.
- (b) The Cadbury plc 2008 Savings Related Share Option Scheme for employees was approved by shareholders in April 2008. These options are normally exercisable within a period not later than 6 months after the repayment date of the relevant, “Save-as-you-Earn” contracts which are for a term of 3, 5 or 7 years.
- (c) The Cadbury Schweppes Share Option Plan 1994 for directors, senior executives and senior managers was approved by shareholders in May 1994. Options shown here were granted prior to 15 July 2004 and are normally exercisable within a period of 7 years commencing 3 years from the date of grant, subject to the satisfaction of certain performance criteria.
- (d) The Cadbury Schweppes Share Option Plan 2004 for eligible executives (previously called the Cadbury Schweppes Share Option Plan 1994, as amended at the 2004 AGM). Options shown here were granted after 15 July 2004, and are normally exercisable within a period of 7 years commencing 3 years from the date of grant, of grant, subject to the satisfaction of certain performance criteria.
- (e) The Cadbury Schweppes (New Issue) Share Option Plan 2004 was established by the Directors, under the authority given by Shareholders in May 2004. Eligible executives are granted options to subscribe for new shares only. Subject to the satisfaction of certain performance criteria, options are normally exercisable within a period of 7 years commencing 3 years from the date of grant.
- (f) The Cadbury Schweppes Irish Savings Related Share Option Scheme, a Save-as-you-Earn option plan for eligible employees of Cadbury Ireland Limited, was approved by shareholders in May 1987. These options, granted by Cadbury Schweppes plc prior to 2 May 2008, are normally exercisable within a period not later than 6 months after the repayment of the relevant “Save-as-you-Earn” contracts, which are for a term of 3, 5 or 7 years.

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- (g) The Cadbury plc 2008 Irish Savings Related Share Option Scheme, a Save-as-you-Earn option plan for eligible employees of Cadbury Ireland Limited, was approved by shareholders in April 2008. These options are normally exercisable within a period not later than 6 months after the repayment of the relevant “Save-as-you-Earn” contracts, which are for a term of 3, 5 or 7 years.
- (h) The Cadbury Schweppes Irish AVC Savings Related Share Option Scheme, a Save-as-you-Earn option plan linked to additional voluntary contributions for pension purposes for eligible employees of Cadbury Ireland Limited, was introduced by the trustees of Cadbury Ireland Pension Plan in 1987. These options, granted by Cadbury Schweppes plc prior to 2 May 2008, are normally exercisable within a period not later than 6 months after the repayment of the relevant “Save-as-you-Earn” contracts, which are for a term of 3, 5 or 7 years.
- (i) The Cadbury plc 2008 Irish AVC Savings Related Share Option Scheme, a Save-as-you-Earn option plan linked to additional voluntary contributions for pension purposes for eligible employees of Cadbury Ireland Limited, was approved by shareholders in April 2008. These options are normally exercisable within a period not later than 6 months after the repayment of the relevant “Save-as-you-Earn” contracts, which are for a term of 3, 5 or 7 years.
- (j) The Cadbury Schweppes International Savings-Related Share Option Scheme 1998 was established by the Directors, under the authority given by shareholders in May 1994. The options, granted by Cadbury Schweppes plc prior to 2 May 2008, are normally exercisable within a period not later than 6 months after the repayment of the relevant “Save-as-you-Earn” contracts, which are for a term of 3 or 5 years.
- (k) The Cadbury plc 2008 International Savings-Related Share Option Scheme was approved by the shareholders in April 2008. Employees in Spain, France, Portugal and Greece were granted options during 2008. The options are normally exercisable within a period not later than 6 months after the repayment of the relevant “Save-as-you-Earn” contracts, which are for a term of 3 or 5 years.
- (l) The Cadbury Schweppes plc US Employees Share Option Plan 2005 (previously called the United States and Canada Employee Stock Purchase Plan 1994). These options, granted by Cadbury Schweppes plc prior to 2 May 2008, are normally exercisable on a date or dates established by the Committee, provided, however, where the exercise price is set by reference to the market value on the grant date that no exercise date may be set later than 27 months from the grant date.
- (m) The Cadbury plc 2008 US Employees Share Option Plan. These options are exercisable on a date or dates established by the Committee, provided, however, where the exercise price is set by reference to the market value on the grant date that no exercise date may be set later than 27 months from the grant date.
- (n) The Cadbury Schweppes plc Americas Employees Share Option Plan 2005 was established by the Directors under the authority given by shareholders in May 2004 to encourage and facilitate the ownership of shares by eligible employees of selected subsidiaries located in North, Central and South America. The options, granted by Cadbury Schweppes plc prior to 2 May 2008, are normally exercisable on a date or dates established by the Committee, provided, however, where the exercise price is set by reference to the market value on the grant date no exercise date may be set later than 27 months from the grant date.
- (o) The Cadbury plc 2008 Americas Employees Share Option Plan was approved by the shareholders in April 2008. The options are normally exercisable on a date or dates established by the Committee, provided, however, where the exercise price is set by reference to the market value on the grant date no exercise date may be set later than 27 months from the grant date.
- (p) The Cadbury Schweppes Asia Pacific Employee Share Acquisition Plan 2002 was established by the Directors under the authority given by shareholders in May 1994. Options are exercisable no later than 12 months after the date of invitation. No options were exercised under this plan during 2008. There are no options outstanding under this plan as at 31 December 2008.

For all schemes and plans described above except those in notes (c) to (e) inclusive, there are no performance requirements for the exercising of options, except that a participant’s employment with the Group must not have been terminated for cause prior to the date of exercise of the relevant option. For those schemes listed under notes (c) to (e) inclusive, there are performance requirements for the exercising of options. However, no such option grants were made in the year as discretionary share options were removed as part of the Group remuneration programme.

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For the period from 1 January 2008 to 1 May 2008, the weighted average exercise prices of options granted, exercised and lapsed in Cadbury Schweppes plc were:

	1 January 2008 to 1 May 2008		
	Options granted (*reinstated)	Options exercised	Options lapsed
Cadbury Schweppes Savings-Related Share Option Scheme 1982:	£3.89*	£3.63	£4.26
Cadbury plc 2008 Savings Related Share Option Scheme:	—	—	—
Cadbury Schweppes Share Option Plan 1994:	—	£4.21	£4.32
Cadbury Schweppes Share Option Plan 2004:	—	£4.73	£4.91
Cadbury Schweppes (New Issue) Share Option Plan 2004:	—	£4.74	£5.11
Cadbury Schweppes Irish Savings Related Share Option Scheme:	—	£3.79	£3.67
Cadbury plc 2008 Irish Savings Related Share Option Scheme:	—	—	—
Cadbury Schweppes Irish AVC Savings Related Share Option Scheme:	—	£3.40	£3.42
Cadbury plc 2008 Irish AVC Savings Related Share Option Scheme:	—	—	—
Cadbury Schweppes International Savings-Related Share Option Scheme 1998:	—	£3.57	£3.70
Cadbury Schweppes International Savings-Related Share Option Scheme 1998:	—	\$6.23	\$7.04
Cadbury plc 2008 International Savings-Related Share Option Scheme:	—	—	—
Cadbury Schweppes plc US Employees Share Option Plan 2005:	—	\$9.15	\$9.24
Cadbury plc 2008 US Employees Share Option Plan:	—	—	—
Cadbury Schweppes plc Americas Employees Share Option Plan 2005:	—	\$9.15	\$9.27
Cadbury plc 2008 Americas Employees Share Option Plan:	—	—	—

\* Options which had been cancelled, were subsequently re-instated, as permitted under the scheme rules.

For the period from 2 May 2008 to 31 December 2008, the weighted average exercise prices of options granted, exercised and lapsed in Cadbury plc were:

	2 May 2008 to 31 December 2008		
	Options granted (*reinstated)	Options exercised	Options lapsed
Cadbury Schweppes Savings-Related Share Option Scheme 1982:	£4.27*	£4.17	£4.86
Cadbury plc 2008 Savings Related Share Option Scheme:	£5.05	—	£5.05
Cadbury Schweppes Share Option Plan 1994:	£4.78*	£4.14	£4.32
Cadbury Schweppes Share Option Plan 2004:	£5.85*	£5.16	£4.90
Cadbury Schweppes (New Issue) Share Option Plan 2004:	£5.42*	£5.20	£5.05
Cadbury Schweppes Irish Savings Related Share Option Scheme:	—	£3.58	£5.14
Cadbury plc 2008 Irish Savings Related Share Option Scheme:	£5.22	—	£5.22
Cadbury Schweppes Irish AVC Savings Related Share Option Scheme:	—	£3.54	£5.36
Cadbury plc 2008 Irish AVC Savings Related Share Option Scheme:	£5.22	—	£5.22
Cadbury Schweppes International Savings-Related Share Option Scheme 1998:	—	£3.83	£4.34
Cadbury Schweppes International Savings-Related Share Option Scheme 1998:	—	\$9.00	\$9.00
Cadbury plc 2008 International Savings-Related Share Option Scheme:	£5.05	—	—
Cadbury Schweppes plc US Employees Share Option Plan 2005:	—	\$10.37	\$10.04
Cadbury plc 2008 US Employees Share Option Plan:	\$9.64	—	\$9.64
Cadbury Schweppes plc Americas Employees Share Option Plan 2005:	—	\$10.39	\$10.39
Cadbury plc 2008 Americas Employees Share Option Plan:	\$9.64	—	\$9.64

The weighted average share price during the year was £6.11.

	2007		
	Options granted	Options exercised	Options lapsed
Cadbury Schweppes Savings-Related Share Option Scheme 1982:	£4.69	£3.44	£4.19
Cadbury Schweppes Share Option Plan 1994:	—	£4.10	£4.29
Cadbury Schweppes Share Option Plan 2004:	—	£4.40	£5.01
Cadbury Schweppes (New Issue) Share Option Plan 2004:	—	£4.40	£4.84
Cadbury Schweppes Irish Savings-Related Share Option Scheme:	£5.22	£3.48	£3.65
Cadbury Schweppes Irish AVC Savings-Related Share Option Scheme:	£5.22	£3.32	£3.76
Cadbury Schweppes International Savings-Related Share Option Scheme 1998:	£4.69	£3.21	£4.59
Cadbury Schweppes International Savings-Related Share Option Scheme 1998:	—	\$6.23	\$6.23
Cadbury Schweppes US Employees Share Option Plan 2005:	\$9.67	\$8.43	\$8.56
Cadbury Schweppes Americas Employees Share Option Plan 2005:	\$9.67	\$8.44	\$8.47
Cadbury Schweppes Asia Pacific Employee Share Acquisition Plan 2002:	—	£4.34	£4.34

The weighted average share price during the year was £6.15.

Awards under the BSRP, ISAP and the LTIP will normally be satisfied by the transfer of shares to participants by the trustees of the Cadbury Schweppes Employee Trust (the “Employee Trust”). The Employee Trust is a general discretionary trust whose beneficiaries include employees and former employees of the Group, and their dependants. The principal purpose of the Employee Trust is to encourage and facilitate the holding of shares in the Company by or for the benefit of employees of the Group. The Employee Trust may be used in conjunction with any of the Group’s employee share plans.

**The Cadbury Schweppes Irish Employee Share Scheme (the “Irish Share Plan”)**

From 14 June 2006 to 11 December 2007, 4 appropriations under the Irish Share Plan, a profit sharing plan, totalling 48,549 Cadbury Schweppes plc ordinary shares were made to eligible employees. The prices at which the shares were appropriated range from £5.11 to £7.06. As a result of the Scheme of Arrangement and the subsequent demerger of the Americas Beverages business, and following the sale of shares in both Cadbury plc and Dr Pepper Snapple Group, Inc. to pay fractional entitlements, there are 30,702 Cadbury plc ordinary shares and 5,605 Dr Pepper Snapple Group, Inc. shares being held by the Trustees of the Irish Share Plan. These shares will be released to the employees between 14 June 2009 and 11 December 2010.

**The Cadbury plc 2008 Irish Employee Share Scheme (the “Irish Share Plan 2008”)**

During 2008, 2 appropriations under the Irish Share Plan 2008, a profit share plan, totalling 26,774 Cadbury plc ordinary shares were made to eligible employees. The prices at which the shares were appropriated range from £5.451 to £6.281. The shares are held by the Trustees of the Irish Share Plan 2008, and will be released to the employees between 15 July 2011 and 23 December 2011.



## 27. Borrowings and Financial Instruments

### (a) Borrowings

	2008		2007	
	Book value £m	Fair value £m	Book value £m	Fair value £m
<b>Floating rate debt</b>				
Commercial paper	373	373	1,302	1,302
Bank loans in foreign currencies	165	165	770	770
Bank overdrafts	152	152	44	44
Obligations under finance leases	2	2	32	32
	<b>692</b>	<b>692</b>	<b>2,148</b>	<b>2,148</b>
<b>Fixed rate debt</b>				
7.25% Sterling Notes due 2018	347	377	—	—
3.875% US dollar Notes due 2008	—	—	502	503
4.25% Euro Notes due 2009	571	572	440	437
4.875% Sterling Notes due 2010	77	77	77	76
5.125% US dollar Notes due 2013	683	654	501	489
Other Notes	15	15	46	43
	<b>1,693</b>	<b>1,695</b>	<b>1,566</b>	<b>1,548</b>
	<b>2,385</b>	<b>2,387</b>	<b>3,714</b>	<b>3,696</b>

Of the total borrowings of £2,385 million (2007: £3,714 million), £1,190 million (2007: £2,583 million) were borrowings due within one year and £1,195 million (2007: £1,131 million) were borrowings due after one year.

At year end, the book value of assets pledged as collateral for secured loans was £nil (2007: £1 million). The security for the borrowings shown above as secured is by way of charges on the property, plant and equipment of Group companies concerned.

Disclosures relating to capital structure and borrowings can be found on page 47. Disclosures relating to treasury risk management policies can be found on page 52.

The fair values in the table above are quoted market prices or, if not available, values estimated by discounting future cash flows to net present value. For short term borrowings with a maturity of less than one year the book values approximate the fair values because of their short term nature. For non public long term loans, fair values are estimated by discounting future contractual cash flows to net present values using current market interest rates available to the Group for similar financial instruments as at year end. The table contains fair values of debt instruments based on clean prices excluding accrued interest.

The Notes listed above are issued out of the Group's US Debt Programme and Euro Medium Term Notes Programme. Both programmes are subject to standard debt covenants requiring all debt to be ranked pari passu. Both Programmes contain customary negative pledge and cross default clauses. The Group is currently in compliance with these requirements.

The 5.125% USD Notes due 2013 are callable at the issuer's option. These Notes are redeemable at the higher of 100% of the face value of the Notes or the net present value of the remaining cash flows using a discount factor comprised of the US Treasury rate plus 25 basis points respectively.

The interest rates on the Notes in the above table do not take into account the various interest rate swaps and cross currency swaps entered into by the Group. Details of the Group's currency and interest rate risk management instruments are contained below.



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The Group's borrowing limit at 31 December 2008 calculated in accordance with the Articles of Association was £12,975 million (2007: £14,575 million).

Interest on bank loans is at rates which vary in accordance with local inter-bank rates. The amount of non-interest bearing loans is negligible.

### **(b) Financial instruments – derivatives**

The Group's approach to treasury risk management is set out on pages 52 to 55 of the financial review and includes details of the credit risk, liquidity risk and market risk which the Group is currently exposed to and the methods used to manage these risks.

The fair value of interest rate and currency derivative assets was £268 million (2007: £46 million). The fair value of interest rate and currency derivative liabilities was £169 million (2007: £22 million).

The fair values of derivative instruments are based on the estimated amount the Group would receive or pay if the transaction was terminated. For currency and interest rate derivatives, fair values are calculated using standard market calculation conventions with reference to the relevant closing market spot rates.

### **Interest rate derivatives**

The Group uses interest rate swaps to manage the interest rate profile of its borrowings. As at 31 December 2008 the Group had a €100 million interest rate swap paying interest at a fixed rate of 3.64% and receiving interest based on 6 month Euro LIBOR rates. The swap matured in January 2009. The Group had a £100 million interest rate swap receiving fixed interest at 4.875% and paying floating interest based on 6 month Sterling LIBOR rates. The swap matures in August 2010. Finally, the Group had interest rate swaps, maturing in July 2018 with a nominal value of £350 million that receive interest at 7.25% and pay interest based on 6 month Sterling LIBOR rates.

As at 31 December 2007 the Group had a €100 million interest rate swap paying interest at a fixed rate of 3.64% and receiving interest based on 6 month Euro LIBOR rates maturing in 2010 and a £100 million interest rate swap receiving fixed interest at 4.875% and paying floating interest based on 6 month Sterling LIBOR rates maturing in 2010. The Group also had interest rate swaps with a nominal value of \$300 million paying interest at 3.65%, receiving interest based on 3 month Sterling LIBOR, maturing in 2008 and a €100 million interest rate swap paying interest at 3.8% and receiving interest based on 6 month Euro LIBOR, maturing in 2008.

As at 31 December 2007 the Group also had cross currency swaps with a nominal value of 58 million Singapore dollars borrowing in US dollars and depositing in Singapore dollars. Fixed interest was received in Singapore dollars at 3.86% and paid in US dollars based on 6 month US dollar LIBOR. The Group also had a deposit Japanese Yen, borrow US dollars cross currency swap, with a nominal value of 3 billion Japanese Yen, receiving fixed interest in Japanese Yen at 1% and paying interest based on 3 month US dollar LIBOR. The cross currency swaps matured in 2008.

## Embedded derivatives

The Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in IAS 39. As at 31 December 2008, the fair value of embedded derivatives was an asset of £0.7 million (2007: £0.3 million). This relates to foreign exchange forward contracts embedded within certain procurement contracts with maturities of between one and two years. Amounts recorded in the income statement are included within those disclosed in Note 10 to the financial statements.

### (c) Financial instruments – assets

Cash and cash equivalents comprise cash held by the Group whilst short-term investments held by the Group are in the form of bank deposits and money market fund deposits. The carrying amount of these assets approximates to their fair value. Cash and cash equivalents and short-term investments are categorised as loans and receivables under IAS 39. At year end, there was £118 million (2007: £142 million) cash and cash equivalents and short-term investments held by subsidiary companies that cannot be remitted to the Company.

## 28. Capital and reserves

### (a) Share capital of Cadbury plc

	2008 £m
Authorised share capital:	
Ordinary shares (2,500 million of 10p each)	250
Allotted, called up and fully paid share capital:	
Ordinary shares (1,361 million of 10p each)	136

The Company has one class of ordinary share which carry no right to fixed income.

During the period from 1 January 2008 to 7 May 2008, 4,939,337 ordinary shares of 12.5p in Cadbury Schweppes plc, the previous parent company of the Group, were allotted and issued upon the exercise of share options, with a nominal value of £0.6 million.

On 11 April 2008 shareholders in Cadbury Schweppes plc approved a special resolution allowing the Company to issue one deferred share of 12.5p in Cadbury plc, and a Scheme of Arrangement whereby with the sanction of the High Court, the capital of the Company was reduced from £400,000,000 divided into 3,199,999,999 ordinary shares of 12.5p each and one deferred share of 12.5p to £135,744,028.625 divided into 1,085,952,228 ordinary shares of 12.5p each and one deferred share of 12.5p by cancelling all the issued ordinary shares. The same Scheme of Arrangement then increased the capital of the Company back to £400,000,000 divided into 3,199,999,999 ordinary shares of 12.5p each and one deferred share of 12.5p by authorising and issuing the same number of new ordinary shares of 12.5p each.

On 2 May 2008, a new holding company, Cadbury plc was inserted into the Group over the listed parent company, Cadbury Schweppes plc, and on that date the ordinary shares of Cadbury plc were admitted to listing on The London and New York Stock Exchanges (as ADRs in the case of New York), the shares and ADRs of Cadbury Schweppes plc being delisted at the same time.

In return for the cancellation of their Cadbury Schweppes plc ordinary shares, shareholders received 64 ordinary 500p shares and 36 beverage 500p shares in Cadbury plc for every 100 ordinary shares previously held in Cadbury Schweppes plc. The beverage shares were then cancelled via a court sanctioned reduction of capital and shareholders received shares in Dr Pepper Snapple Group, Inc. at a ratio of three for one on 7 May 2008 when the Americas Beverages business was demerged. The share capital of Cadbury plc reduced from £17,500,050,000 divided into 2,500,000,000 ordinary shares of 500p each, 1,000,000,000 beverage shares of 500p, 49,998 redeemable preference shares of £1 each and 2 deferred shares of £1 each, to £250,000,000 divided into 2,500,000,000 ordinary shares of 10p each.

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The issued capital of Cadbury plc on 7 May 2008, after the reduction of capital, was £135,299,057.40 divided into 1,352,990,574 ordinary shares of 10p each.

During the period from 7 May 2008 to 31 December 2008, 7,781,332 ordinary shares of 10p in Cadbury plc were allotted and issued upon the exercise of share options (see Note 26), with a nominal value of £0.8 million.

### (b) Movements on capital and reserves

	Share capital £m	Share capital beverages £m	Share premium £m	Capital redemption reserve £m	Demerger reserve £m	Hedging and translation reserve £m	Acquisition revaluation reserve £m	Retained earnings £m	Total £m
At 1 January 2007	262	—	1,171	90	—	(271)	53	2,383	3,688
Currency translation differences (net of tax)	—	—	—	—	—	132	—	—	132
Unwind of acquisition revaluation reserve	—	—	—	—	—	—	(8)	8	—
Credit from share based payment and movement in own shares	—	—	—	—	—	—	—	24	24
Actuarial gains on defined benefit pension schemes (net of tax)	—	—	—	—	—	—	—	168	168
Shares issued	2	—	54	—	—	—	—	—	56
Profit for the period attributable to equity holders of the parent	—	—	—	—	—	—	—	405	405
Dividends paid	—	—	—	—	—	—	—	(311)	(311)
<b>At 31 December 2007</b>	<b>264</b>	<b>—</b>	<b>1,225</b>	<b>90</b>	<b>—</b>	<b>(139)</b>	<b>45</b>	<b>2,677</b>	<b>4,162</b>
Currency translation differences (net of tax)	—	—	—	—	—	580	—	—	580
Unwind of acquisition revaluation reserve	—	—	—	—	—	—	(3)	3	—
Credit from share based payment and movement in own shares	—	—	—	—	—	—	—	24	24
Actuarial losses on defined benefit pension schemes (net of tax)	—	—	—	—	—	—	—	(291)	(291)
Shares issued – Cadbury Schweppes plc	1	—	19	—	—	—	—	—	20
Scheme of arrangement	6,765	3,805	—	—	(10,570)	—	—	—	—
Capital reduction	(6,630)	(3,805)	—	—	10,435	—	—	—	—
Elimination of Cadbury Schweppes plc reserves	(265)	—	(1,244)	(90)	1,641	—	(42)	—	—
Demerger of Americas Beverages	—	—	—	—	(1,097)	—	—	—	(1,097)
Transfer of shares in DPSG to other investments	—	—	—	—	—	—	—	16	16
Shares issued – Cadbury plc	1	—	38	—	—	—	—	—	39
Profit for the period attributable to equity holders of the parent	—	—	—	—	—	—	—	364	364
Dividends paid	—	—	—	—	—	—	—	(295)	(295)
<b>At 31 December 2008</b>	<b>136</b>	<b>—</b>	<b>38</b>	<b>—</b>	<b>409</b>	<b>441</b>	<b>—</b>	<b>2,498</b>	<b>3,522</b>

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At 31 December 2008, the Group held 10 million (2007: 17 million) of own shares purchased by the Cadbury Employee Trust for use in employee share plans. During 2008, an additional £47 million of the Company's shares were purchased by the Trust (2007: £70 million).

During 2008, the Company received £38 million (2007: £56 million) on the issue of shares in respect of the exercise of options awarded under various share option plans.

The capital redemption reserve arose on the redemption of preference shares in 1997.

At 31 December 2008 the hedging and translation reserve comprises £443 million (2007: £(136) million) relating to all foreign exchange differences arising from the translation of the financial statements of foreign operations and £(2) million (2007: £(3) million) relating to hedging items.

The acquisition revaluation reserve arose on the step acquisition of former associates to subsidiaries in 2006. It represents the increase in the fair value of assets acquired attributable to the previously owned share.

The demerger reserve arose in the year on demerger of the Americas Beverages business and the associated Scheme of Arrangement whereby Cadbury plc was inserted into the Group over the listed parent company, Cadbury Schweppes plc.

### **29. Minority interests**

	2008 £m	2007 £m
Balance at beginning of year	11	8
Exchange rate adjustments	1	—
Acquisition minority interests	(2)	2
Share of profit after taxation	2	2
Dividends declared	—	(1)
<b>Balance at end of year</b>	<b>12</b>	<b>11</b>

All minority interests are equity in nature.

As at 31 December 2008, Cadbury Nigeria and Cadbury Fourseas are in a net liabilities position. The minority interest has no contractual obligation to meet these liabilities, consequently no minority interest asset has been recognised.

### **30. Acquisitions**

#### **2008**

The Group made no acquisitions in 2008.

In 2008, the Group has recorded adjustments to the opening balance sheet of Intergum, a Turkish confectionery company acquired on 31 August 2007 for initial consideration of £192 million. These adjustments are principally a reduction in consideration of £22 million relating to the finalisation of the purchase price and a reduction of £13 million in net assets reflecting the finalisation of property, plant and equipment fair values, which have caused the goodwill on acquisition to decrease by £9 million. In addition, the Group has recorded adjustments to the opening balance sheet of Kandia-Excelent which has increased goodwill by £1 million. The Group also paid a further £6 million during 2008 relating to additional acquisition costs of businesses acquired in 2007 of which £3 million had been accrued in 2007. The net impact of all adjustments made in the current year relating to 2007 acquisitions is summarised below.

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	Fair value adjustments £m
Intangible assets	(3)
Property, plant and equipment	(12)
Inventories	(2)
Trade and other receivables	5
Trade and other payables	(4)
Borrowings related to factored receivables	—
Borrowings	—
Deferred tax on non-deductible brands	3
Minority interests	2
Other	—
<b>Movement in goodwill</b>	<b>(11)</b>
<b>Adjustment to consideration paid net of unaccrued transaction costs</b>	<b>(19)</b>

### 2007

Detailed below are the 2007 acquisitions as recognised in the 2007 financial statements. Provisional fair values have been finalised and details are discussed above.

In 2007, the Group acquired confectionery businesses in Romania (Kandia-Excelent), Japan (Sansei Foods) and Turkey (Intergum). On 13 June 2007 the Group acquired 93.3% of Kandia-Excelent, with a further 2.4% subsequently acquired in November 2007, for a total of £60 million. Brand intangible assets of £26 million and provisional goodwill of £14 million were recognised. The initial acquisition of 96% of Sansei occurred on 19 July 2007 with the remaining minority interest being acquired by the 2007 year end, for a total consideration of £61 million. Intangible assets of £18 million and provisional goodwill of £34 million has been recognised. On 31 August 2007 the Group acquired 100% of Intergum for £192 million, before assumed debt of £77 million including £32 million of borrowings related to factored receivables. Brand intangible assets of £71 million and provisional goodwill of £177 million were recognised.

In addition, the Americas Beverages business acquired a bottling company, South-East Atlantic Bottling Corporation, for £27 million in July 2007. Intangible assets of £11 million and provisional goodwill of £4 million have been recognised.

In 2007, adjustments to goodwill related to the finalisation of the purchase price allocation of the acquisitions made in 2006 totalled £28 million. These principally related to the finalisation of a deferred tax balance and a provision relating to historical litigation which was finalised within one year from acquisition.

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	Local book values £m	Fair value adjustments £m	Fair value £m
Intangible assets	—	126	126
Property, plant and equipment	48	39	87
Inventories	19	—	19
Trade and other receivables	34	(2)	32
Trade and other payables	(49)	(7)	(56)
Borrowings related to factored receivables	(32)	—	(32)
Borrowings	(49)	—	(49)
Deferred tax on non-deductible brands	—	(47)	(47)
Minority interests	(2)	—	(2)
Other	—	1	1
	<b>(31)</b>	<b>110</b>	<b>79</b>
Goodwill			257
Investment in associate			10
			<b>346</b>
Cash consideration			339
Transaction costs			13
Cash paid			<b>352</b>
Net cash acquired			(6)
Net cash paid			<b>346</b>

### 31. Discontinued operations

On 7 May 2008, the Group completed the demerger of its Americas Beverages business and in December 2008 the Group announced it had signed a conditional agreement to sell the Australia Beverages business. As described in note 38, on 12 March 2009 the group entered into a definitive sale and purchase agreement for the sale of Australia Beverages. In accordance with IFRS 5, “Non-current assets held for sale and discontinued operations” these businesses are classified as discontinued and the prior periods have been re-presented on a consistent basis. The re-presentation includes an allocation of the Group’s interest charge relating to the debt funding which was demerged with the Americas Beverage business.

In 2005, our beverages business in Europe was classified as discontinued and the disposal completed in 2006. In 2006, we announced and completed the disposal of our South Africa beverages business. As this disposal was part of our strategic decision to exit beverages outside the Americas and Australia, it was also classified as discontinued operations.

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(a) The results of the discontinued operations which have been included in the consolidated income statement are as follows:

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
<b>Revenue</b>	<b>1,389</b>	<b>3,272</b>	<b>3,014</b>
- Americas Beverages	951	2,878	2,566
- Australia Beverages	438	394	378
- Other	—	—	70
Trading costs	(1,211)	(2,718)	(2,421)
Restructuring costs	(6)	(35)	(26)
Contract termination gain <sup>1</sup>	—	31	—
Non-trading items	1	—	17
<b>Profit from operations</b>	<b>173</b>	<b>550</b>	<b>584</b>
- Americas Beverages	146	526	562
- Australia Beverages	27	24	19
- Other	—	—	3
Share of result in associates	—	—	(1)
<b>Profit before financing and taxation</b>	<b>173</b>	<b>550</b>	<b>583</b>
Finance costs	(45)	(94)	(91)
<b>Profit before taxation</b>	<b>128</b>	<b>456</b>	<b>492</b>
Taxation	(63)	(152)	(143)
Demerger and disposal costs	(104)	(40)	—
Tax on demerger and disposal costs	35	(6)	—
Profit on disposal	—	—	631
Tax on profit on disposal	—	—	(42)
Release of disposal tax provisions	—	—	51
<b>Net (loss)/profit from discontinued operations</b>	<b>(4)</b>	<b>258</b>	<b>989</b>

<sup>1</sup> The Contract termination gain recognised in 2007 represents the credit arising from amounts received in respect of the termination of a distribution agreement for Glacéau in the US. This credit relates to the amounts which would otherwise have been received through distribution of the product in 2008.

The profit on disposal in 2006 relates to the disposal of Europe Beverages on 2 February 2006 and South African Beverages on 1 August 2006.

(b) Employees and emoluments

	2008 £m	2007 £m	2006 £m
Emoluments of employees, including Directors, comprised:			
Wages and salaries	235	523	439
Social security costs	14	32	29
Post-retirement benefit costs	9	19	17
Share based payments	2	8	9
	<b>260</b>	<b>582</b>	<b>494</b>
	2008	2007	2006
Average employee headcount:			
Discontinued operations	8,227	21,192	16,614

**(c) Profit from discontinued operations is after charging:**

	2008 £m	2007 £m	2006 £m
Research and product development	4	9	11
Depreciation of property, plant and equipment - owned assets	32	71	58
- under finance leases	1	2	1
Amortisation of definite life acquisition intangibles	8	24	18
Impairment of goodwill	—	—	1
Amortisation of software intangibles	7	10	5
Maintenance and repairs	12	40	33
Advertising and promotional marketing	92	220	235
Impairment of trade receivables	3	6	2

There were net foreign exchange gains of £1 million recognised within profit from operations in 2008 (2007: £1 million gain, 2006: £nil).

Auditors' remuneration for discontinued operations is given in Note 6.

**(d) Financing costs**

	2008 £m	2007 £m	2006 £m
<b>Finance (gain)/loss arising on held for trading assets and liabilities</b>			
Net (gain)/loss arising on derivatives (held for trading) not in a designated hedge relationship	(5)	2	6
<b>Interest on other liabilities</b>			
Bank and other loans	49	91	83
Post retirement employee benefits	1	1	2
	<b>45</b>	<b>94</b>	<b>91</b>

**(e) Taxation**

	2008 £m	2007 £m	2006 £m
Current tax — discontinued operations:			
- UK	—	—	(31)
- Overseas	(156)	(145)	(140)
- Adjustment in respect of prior year	(2)	(10)	59
	<b>(158)</b>	<b>(155)</b>	<b>(112)</b>
Deferred tax — discontinued operations:			
- UK	8	25	(29)
- Overseas	123	(19)	(2)
- Adjustment in respect of prior year	(1)	(9)	9
	<b>130</b>	<b>(3)</b>	<b>(22)</b>
<b>Taxation from discontinued operations including tax on demerger costs</b>	<b>(28)</b>	<b>(158)</b>	<b>(134)</b>

UK tax is calculated at 28.5% (2007 and 2006: 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The current year tax charge primarily represents tax on the Americas Beverages business.

No reconciliation of the tax rate for discontinued operations has been provided given the discrete nature of the balances.



**(f) Cash flows from discontinued operations included in the consolidated cash flow statement are as follows:**

	2008 £m	2007 £m	2006 £m
Net cash flows from operating activities	33	424	448
Net cash flows used in investing activities	(240)	(175)	(331)
Net cash flows from financing activities	133	—	—
	<b>(74)</b>	<b>249</b>	<b>117</b>

**(g) Earnings per share from discontinued operations are as follows:**

	Earnings 2008 £m	EPS 2008 pence	Earnings 2007 £m	EPS 2007 pence	Earnings 2006 £m	EPS 2006 pence
<b>Reported</b>	<b>(4)</b>	<b>(0.2)</b>	<b>258</b>	<b>12.4</b>	<b>989</b>	<b>47.7</b>
Restructuring costs	6	0.4	35	1.7	26	1.3
Amortisation and impairment of acquisition intangibles	8	0.5	24	1.1	19	0.9
Non-trading items	(1)	(0.1)	—	—	(17)	(0.8)
Contract termination gain	—	—	(31)	(1.5)	—	—
IAS 39 adjustment	(5)	(0.3)	1	—	5	0.3
Demerger and disposal costs <sup>2</sup>	122	7.5	40	1.9	—	—
Profit on disposal of subsidiaries	—	—	—	—	(631)	(30.5)
Effect of tax on above items <sup>1</sup>	(42)	(2.6)	(4)	(0.1)	15	0.7
Release of disposal tax provisions	—	—	—	—	(51)	(2.5)
<b>Underlying</b>	<b>84</b>	<b>5.2</b>	<b>323</b>	<b>15.5</b>	<b>355</b>	<b>17.1</b>

<sup>1</sup> Effect of tax on above items includes £29 million charge (2007: £15 million charge, 2006: £nil) relating to certain reorganisations carried out in preparation for the demerger of the Americas Beverages business, and £44 million credit (2007 and 2006: £nil) relating to the recognition of deferred tax assets relating to the reassessment of capital losses and the tax basis of goodwill on the classification of Australia Beverages as an asset held for sale. In 2006, includes £17 million deferred tax credit arising on the intra-group transfer of retained brands.

<sup>2</sup> Includes £18 million (2007 and 2006: £nil) of finance costs associated with the demerger.

The diluted reported and underlying earnings per share from discontinued operations are set out below:

	2008 pence	2007 pence	2006 pence
<b>Diluted reported</b>	<b>(0.2)</b>	12.2	47.3
<b>Diluted underlying</b>	<b>5.2</b>	15.3	17.0

Diluted EPS has been calculated based on the reported and underlying earnings amounts above. A reconciliation between the shares used in calculating basic and diluted EPS from discontinued operations is included in Note 13.

(h) The major classes of assets and liabilities comprising the Discontinued Beverages operations are as follows:

	2008 Australia Beverages at 31 December 2008 £m	2008 Americas Beverages at demerger 7 May 2008 £m
<b>Assets</b>		
<b>Non-current assets</b>		
Goodwill and acquisition intangibles	19	2,927
Software intangibles	10	54
Property, plant and equipment	116	459
Investment in associates	—	7
Deferred tax assets	—	116
Trade and other receivables	—	49
	<b>145</b>	<b>3,612</b>
<b>Current assets</b>		
Inventories	29	200
Trade and other receivables	93	339
Cash and cash equivalents	—	115
	<b>122</b>	<b>654</b>
<b>Total assets</b>	<b>267</b>	<b>4,266</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	(97)	(345)
Short term borrowings and overdrafts	—	(910)
Short term provisions	—	(10)
	<b>(97)</b>	<b>(1,265)</b>
<b>Non-current liabilities</b>		
Trade and other payables	—	(3)
Retirement benefit obligations	—	(37)
Deferred tax liabilities	—	(754)
Long term provisions	—	(26)
Long term borrowings and obligations under finance leases	—	(1,084)
	<b>—</b>	<b>(1,904)</b>
<b>Total liabilities</b>	<b>(97)</b>	<b>(3,169)</b>
<b>Net assets</b>	<b>170</b>	<b>1,097</b>

In addition, property plant and equipment totalling £3 million were classified as assets held for sale at 31 December 2008.

### 32. Leasing commitments

#### (a) Finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2008 £m	2007 £m	2008 £m	2007 £m
On leases expiring:				
Within one year	1	22	1	21
Between one and five years	1	10	1	7
After five years	—	4	—	4
	<b>2</b>	<b>36</b>	<b>2</b>	<b>32</b>
Less future finance charges	—	(4)		
<b>Present value of lease obligations</b>	<b>2</b>	<b>32</b>		
Amount due for settlement within 12 months	1	21		
Amount due for settlement after 12 months	1	11		

It is the Group's policy to lease certain of its plant and equipment under finance leases. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements are entered into for contingent rental payments. The carrying value of the Group's lease obligations approximates their fair value.

#### (b) Operating leases

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
Within one year	44	35	40
Between one and five years	140	104	110
After five years	94	98	99
	<b>278</b>	<b>237</b>	<b>249</b>

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
Operating lease expenses charged in the income statement	45	53	48

### 33. Contingent liabilities and financial commitments

- (a) Cadbury Holdings Limited, a subsidiary of the Company, has guaranteed borrowings and other liabilities of certain subsidiary undertakings, the amounts outstanding and recognised on the Group balance sheet at 31 December 2008 being £2,185 million (2007: £3,470 million). In addition, certain of the Company's subsidiaries have guaranteed borrowings of certain other subsidiaries. The amount covered by such arrangements as at 31 December 2008 was £1,693 million (2007: £2,017 million). Payment under these guarantees would be required in the event that the relevant subsidiary was unable to pay the guaranteed borrowings when due. These guarantees cover the Group's borrowings of £2,385 million (2007: £3,714 million) and have the same maturity.
- (b) Subsidiary undertakings have guarantees and indemnities outstanding amounting to £18 million (2007: £7 million).
- (c) The Group has given a number of indemnities on certain disposals including the demerger of the Americas Beverages business as to the ownership of assets and intellectual property, all outstanding tax liabilities, environmental liabilities and product liability claims. These may expire over a period of time up to the local statute of limitations although for ownership of assets and intellectual property these may be indefinite. Where appropriate the Group has made provisions for any liabilities which may crystallise.

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- (d) Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted. Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group does not have a significant exposure to any individual customer, counterparty, or to any geographical region. The Group conducts business with banks representing many nationalities, in most cases through offices and branches located in London and maintains strict limits over its exposure to any individual counterparty.
- (e) Group companies are defendants in a number of legal proceedings incidental to their operations. The Group does not expect that the outcome of such proceedings either individually or in the aggregate will have a material effect on the Group's operations, cash flows or financial position.

### 34. Notes to the cash flow statement

#### Reconciliation of cash flow from operating activities

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
Profit from operations			
- Continuing operations	388	278	328
- Discontinued operations	173	550	584
	<b>561</b>	<b>828</b>	<b>912</b>
Adjustments for:			
Depreciation, amortisation and impairment	244	290	270
Restructuring	71	82	50
Non-trading items	(2)	(2)	(40)
Post-retirement benefits	(3)	5	(1)
Additional funding of past service pensions deficit	(30)	(48)	(67)
Share compensation taken to reserves	31	29	40
IAS 39 adjustment	53	14	4
Other non-cash items	3	14	(7)
<b>Operating cash flows before movements in working capital</b>	<b>928</b>	<b>1,212</b>	<b>1,161</b>
Increase in inventories	(32)	(61)	(2)
(Increase)/decrease in receivables	(40)	77	50
Increase/(decrease) in payables	2	3	(64)
	<b>858</b>	<b>1,231</b>	<b>1,145</b>
Interest paid	(165)	(193)	(214)
Interest received	26	21	28
Demerger financing costs	(53)	—	—
Income taxes paid — excluding disposals	(153)	(235)	(256)
Income taxes paid — disposals	(44)	(12)	(83)
<b>Net cash from operating activities</b>	<b>469</b>	<b>812</b>	<b>620</b>

### 35. Group companies

	Activities	Country of incorporation and operation	Proportion of issued share capital held if not 100%
<b>Details of principal associated undertakings</b>			
Camelot Group plc	(c)	Great Britain (ii)	20%
Crystal Candy (Private) Ltd	(a)	Zimbabwe (i)	49%
Meito Adams Company Ltd	(c)	Japan	50%
Xtrapack Ltd	(c)	Great Britain (ii)	30%
<b>Details of principal subsidiary undertakings</b>			
Operating companies (unless otherwise stated)			
<b>United Kingdom:</b>			
Cadbury UK (an unincorporated partnership operating in Great Britain between Cadbury UK Ltd, Trebor Bassett Ltd and The Old Leo Company Ltd)	(a)	n/a	
<b>Europe:</b>			
Cadbury España, SL	(a)	Spain	
Cadbury France	(a)	France	
Cadbury Hellas AE	(a)	Greece	
Cadbury Ireland Ltd	(a)	Ireland	
Cadbury Portugal — Produtos de Conféitaria, Lda	(a)	Portugal	
Cadbury Switzerland Faguet & Co	(a)	Switzerland	
Cadbury Wedel Sp. zo.o.	(a)	Poland	
Dandy A/S	(a)	Denmark	
Dirol Cadbury LLC	(a)	Russia	
Integum Gida Sanayi ve Ticaret Anonim Sirketi	(a)	Turkey	
Kent Gida Maddeleri Sanayii ve Ticaret Anonim Sirketi	(a)	Turkey (ii)	95.36%
<b>Americas:</b>			
Cadbury Adams Brasil Industria e Comercio de Produtos Alimenticios Ltda	(a)	Brazil	
Cadbury Adams Canada Inc	(a)	Canada	
Cadbury Adams Distribuidora Mexico, SA de CV	(a)	Mexico	
Cadbury Adams Mexico, S de RL de CV	(a)	Mexico	
Cadbury Adams, SA	(a)	Venezuela	
Cadbury Adams USA LLC	(a)	US (i)	
Cadbury Stani Adams Argentina SA	(a)	Argentina (ii)	
Cadbury Adams Colombia SA	(a)	Colombia	
<b>Other overseas:</b>			
Cadbury Adams Thailand	(a)	Thailand	
Cadbury Confectionery Ltd	(a)	New Zealand	
Cadbury Enterprises Pte Ltd	(a)	Singapore	
Cadbury India Ltd	(a)	India	97.61%
Cadbury Japan Ltd	(a)	Japan	
Cadbury Nigeria plc	(a)	Nigeria	50.02%
Cadbury Schweppes Pty Ltd	(a)(b)	Australia	
Cadbury South Africa (Pty) Ltd	(a)	South Africa	
<b>Finance and holding companies:</b>			
Alreford Limited	(c)	Ireland	
Berkeley Re Limited	(c)	Ireland	
Cadbury Holdings Ltd*	(c)	Great Britain	
Cadbury Schweppes Asia Pacific Pte Ltd	(c)	Singapore	
Cadbury Schweppes Finance plc	(c)	Great Britain	
Cadbury Netherlands International Holdings B.V.	(c)	Netherlands (i)	
Cadbury Schweppes Investments plc	(c)	Great Britain	
Cadbury Schweppes Overseas Ltd	(c)	Great Britain	
Cadbury Schweppes Treasury Services	(c)	Ireland (i)	
CS Confectionery Inc	(c)	US	
Vantas International Ltd*	(c)	Great Britain	

\* Investment directly held by Cadbury plc

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Advantage has been taken of Section 231(5) of the Companies Act 1985 to list only those undertakings as are required to be mentioned in that provision, as an exhaustive list would involve a statement of excessive length.

The nature of the activities of the individual companies is designated as follows:

- (a) Confectionery
- (b) Beverages
- (c) Other (including holding companies)

The percentage voting right for each principal subsidiary is the same as the percentage of ordinary shares held.

Issued share capital represents only ordinary shares or their equivalent except for companies marked (i) where there are also preference shares or (ii) where there are both A and B classes of ordinary shares.

### 36. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below.

#### Trading transactions

	Sales of goods			Purchases of goods		
	2008 £m	2007 £m	2006 £m	2008 £m	2007 £m	2006 £m
DPSUBG	n/a	n/a	55	n/a	n/a	8
EE	n/a	n/a	2	n/a	n/a	10
Meito Adams	7	4	6	41	40	39

	Amounts owed by related parties			Amounts owed to related parties		
	2008 £m	2007 £m	2006 £m	2008 £m	2007 £m	2006 £m
DPSUBG	n/a	n/a	n/a	n/a	n/a	n/a
EE	n/a	n/a	n/a	n/a	n/a	n/a
Meito Adams	—	1	1	—	3	3

DPSUBG — Dr Pepper/Seven Up Bottling Group, Inc — until 2 May 2006

EE — L'Europeenne D'Embouteillage SAS — sold on 2 February 2006

#### Remuneration of key management personnel

Key management of the Group are the Executive Directors and the CEC. Short term employee benefits expense relating to these individuals was £9 million (2007: £11 million, 2006: £9 million), post retirement benefits expense was £3 million (2007: £2 million, 2006: £2 million), termination benefits expense was £6 million (2007: £2 million, 2006: £nil) and share-based payments expense was £8 million (2007: 8 million, 2006: £10 million).

### 37. Foreign currency translation

The principal exchange rates used for translation purposes were as follows (£1=):

	Average 2008	Average 2007	Average 2006	Closing 2008	Closing 2007	Closing 2006
US dollar	1.85	2.00	1.85	1.46	1.99	1.96
Canadian dollar	1.96	2.15	2.09	1.78	1.98	2.28
Australian dollar	2.20	2.39	2.44	2.12	2.27	2.49
Euro	1.26	1.46	1.47	1.05	1.36	1.48
South African rand	15.23	14.1	12.5	13.72	13.6	13.8
Mexican peso	20.48	21.8	20.0	20.15	21.7	21.1

The exchange rate for US dollars on the date of demerger of the Americas Beverages business was 1.98.

### 38. Events after the balance sheet date

On 23 January 2009, the Group obtained committed credit facilities totalling £300 million. This facility expires at the earlier of the disposal of Australia Beverages, capital market debt or equity issuance or 28 February 2010.

On 4 March 2009, the Group issued a £300 million bond that matures in 2014. On issuance of the bond the £300 million committed credit facilities expired.

The Group announced that it had entered into a conditional agreement with Asahi Breweries, Ltd (“Asahi”) on 24 December 2008 to sell the Australia Beverages business and, as a result of this agreement, Australia Beverages was treated as a discontinued operation in the presentation of the results for 2008.

Subsequent to the balance sheet date, on 12 March 2009, the Group entered into a definitive sale and purchase agreement for the sale of the Australia Beverages business to Asahi for a total consideration in cash of approximately £550m (AUD1,185m). The agreement with Asahi is subject to normal closing conditions, which do not include financing or competition authority clearance conditions, and the Group expects that the pre-conditions to closing will have been satisfied by 30 April 2009.

### 39. Changes and proposed changes to generally accepted accounting principles

An amendment to IAS 32, “Financial Instruments: Presentation” and IAS 1, “Presentation of Financial Statements”, addresses the classification of some puttable financial instruments and instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation. This amendment is effective for annual periods beginning on or after 1 January 2009 and was endorsed by the EU in January 2009. The Group is currently assessing the impact of this amendment on the Group’s financial position, results of operations and cash flows.

An amendment to IFRS 2, “Share based payment”, clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This may have an impact on the accounting for SAYE and matching share plans for example. This amendment is effective for annual periods beginning on or after 1 January 2009 and was endorsed in December 2008. The Group is currently assessing the impact of this amendment on the Group’s financial position, results of operations and cash flows.

IFRS 3 (Revised), “Business combinations”, continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently re-measured at fair value through income. Goodwill may be calculated based on the parent’s share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed. The standard is applicable to business combinations occurring in accounting periods beginning on or after 1 July 2009, with earlier application permitted. This revision has not yet been endorsed by the EU. This may impact the Group should the Group make material acquisitions in the future.

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IAS 27 (Revised), “Consolidated and separate financial statements”, requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. This revised standard is effective for accounting periods beginning on or after 1 July 2009 and has not yet been endorsed by the EU. The Group is currently assessing the impact of this revision on the Group’s financial position, results of operations and cash flows.

IAS 1 (Revised), “Presentation of financial statements”, will prohibit the presentation of items of income and expenses (that is, ‘nonowner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). The revised IAS 1 also states that entities making restatements or reclassifications of comparative information will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The standard is effective for periods beginning on or after 1 January 2009 and was endorsed by the EU in December 2008. The Group is currently assessing the impact of this revision on the presentation of the Group’s financial position, results of operations and cash flows.

IAS 23 (Revised), “Borrowing costs” requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. It is effective for annual periods beginning on or after 1 January 2009. This standard was endorsed by the EU in December 2008. The Group is currently assessing the impact of this revision on the Group’s financial position, results of operations and cash flows. An amendment to IFRS 1, “First time adoption of International Financial Reporting Standards”, and IAS 27, “Consolidated and separate financial statements”, will allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removed the definition of the cost method from IAS 27 and replaced it with a requirement to present dividends as income in the separate financial statements of the investor. These changes remove the significant barrier that was stopping many UK subsidiaries from adopting IFRS. The amendment is effective for annual periods beginning on or after 1 January 2009 and was endorsed by the EU in January 2009. The Group does not expect this to have an impact on the financial statements.

An amendment to IAS 39, “Financial Instruments: recognition and measurement”, makes two significant changes. It prohibits designating inflation as a hedgeable component of a fixed rate debt. It also prohibits including time value in the one-sided hedged risk when designating options as hedges. The amendment is effective for annual periods beginning on or after 1 July 2009 and has not yet been endorsed by the EU. The Group does not currently expect this amendment to have a material impact on the financial position, results or cash flow.

IFRIC 13, “Customer Loyalty Programmes” clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer should be allocated between the components of the arrangement in proportion to their fair values. IFRIC 13 is effective for annual periods beginning on or after 1 July 2008. The Group does not currently expect this interpretation to have a material impact on its financial position, results or cash flows. This interpretation was endorsed by the EU in December 2008.

IFRIC 15, “Arrangements for the construction of real estate”, provides further guidance over the application of IAS 11 “Construction Contracts”, and IAS 18, “Revenue”, to the construction of real estate. IFRIC 15 is effective for annual periods beginning on or after 1 January 2009. The Group does not currently expect this amendment to have a material impact on the financial position, results or cash flow. This interpretation has not yet been endorsed by the EU.

IFRIC 16, “Hedges of a net investment in a foreign operation”, clarifies the application of hedge accounting to a net investment in a foreign operation. IFRIC 16 is effective for annual periods beginning on or after 1 October 2008. The Group does not currently expect this amendment to have a material impact on the financial position, results or cash flow. This interpretation has not yet been endorsed by the EU.



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IFRIC 17, “Distributions of non cash assets to owners”, clarifies how an entity should measure distributions of assets, other than cash, when it pays dividends to its owners. The interpretation states that 1) a dividend payable should be recognised when appropriately authorised, 2) it should be measured at the fair value of the net assets to be distributed, and 3) the difference between the fair value of the dividend paid and the carrying amount of the net assets distributed should be recognised in profit or loss. The Group is currently assessing the impact of this revision on the Group’s financial position, results of operations and cash flows. This interpretation is effective from 1 July 2009 and has not yet been endorsed by the EU.

IFRIC 18, “Transfer of assets from customers”, clarifies the accounting for arrangements where an item of property, plant and equipment, which is provided by the customer, is used to provide an ongoing service. The interpretation applies prospectively to transfers of assets from customers received on or after 1 July 2009, although some limited retrospective application is permitted. The Group is currently assessing the impact of this revision on the Group’s financial position, results of operations and cash flows. This interpretation is effective from 1 July 2009 and has not yet been endorsed by the EU.

**Exhibit Index**

1	Memorandum and Articles of Association amended as of 7 May 2008.
4.1	Indenture dated 29 September 2003 by and between Cadbury Schweppes US Finance LLC, as Issuer, Cadbury Schweppes p.l.c., as Guarantor, Cadbury Schweppes Finance p.l.c. as Subsidiary Guarantor, and JPMorgan Chase Bank, as Trustee incorporated by reference to Exhibit 4.1 on the Form 20-F of the Company for the fiscal year ended 28 December 2003, filed on 6 April 2004.
4.2	First Supplemental Indenture dated 29 September 2003 by and between Cadbury Schweppes US Finance LLC, as Issuer, Cadbury Schweppes p.l.c., as Guarantor, Cadbury Schweppes Finance p.l.c. as Subsidiary Guarantor, and JP Morgan Chase Bank, as Trustee incorporated by reference to Exhibit 4.2 on the Form 20-F of the Company for the fiscal year ended 28 December 2003, filed on 6 April 2004.
4.3	Seventh Supplemental Trust Deed dated 24 June 2008, among Cadbury Schweppes Finance p.l.c., Cadbury Schweppes Investments plc, Cadbury Holdings Limited and The Law Debenture Trust Corporation p.l.c.
4.4	Form of Director's Service Contract incorporated by reference to Exhibit 4.4 on the Form 20-F of the Company for the fiscal year ended 2 January 2005, filed on 12 April 2005.
4.5	Form of Variation dated 30 March 2007 to executive directors' service contracts with each of HT Stitzer, R J Stack (both contracts dated 1 July 2004) and K G Hanna (contract dated 1 March 2004), incorporated by reference to Exhibit 4.5 on the Form 20-F of the Group for the fiscal year ended 31 December 2007, filed on 10 April 2008.
4.6	Assignment of Agreement dated 15 January 2008 and Letter of Variation dated 29 December 2008 to executive director's service contract with HT Stitzer.
4.7	Form of Director's Indemnity for Cadbury plc.
8	List of subsidiary companies
12.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
12.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
13.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
13.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
15	Consent of Deloitte LLP

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**A PUBLIC COMPANY LIMITED BY SHARES**

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**MEMORANDUM**  
**- and -**  
**ARTICLES OF ASSOCIATION**  
**- of -**  
**CADBURY PLC**

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**Slaughter and May,  
One Bunhill Row,  
London,  
EC1Y 8YY**

**(CA081270032)**

**The Companies Act 1985 (as amended) (the “Act”)**  
**Company limited by shares**  
**Resolutions of**  
**Cadbury plc**  
**(the “Company”)**

At a General Meeting of the Company on 11 March, 2008, the following resolution was passed:

**Special Resolution**

**THAT**, subject to and conditional upon the issue of the Cadbury plc Ordinary Shares and the Cadbury plc Beverage Shares (which terms when used in this resolution shall have the meanings given to them in the proposed scheme of arrangement between Cadbury Schweppes plc and its members pursuant to section 425 of the Act (the “**Scheme**”)) pursuant to the Scheme, the share capital of the Company be reduced:

- (A) by cancelling paid-up share capital to the extent of 490 pence on each Cadbury plc Ordinary Share in issue as at 6.00 p.m. on the business day immediately preceding the date on which the order of the High Court of Justice in England and Wales (the “**Court**”) confirming the proposed reduction of capital of the Company under sections 135 to 137 of the Act is registered by the Registrar of Companies (the “**Reduction of Capital Record Time**”) and reducing the nominal value of each such Cadbury plc Ordinary Share from 500 pence to 10 pence;
- (B) by reducing the nominal value of each unissued Cadbury plc Ordinary Share as at the Reduction of Capital Record Time from 500 pence to 10 pence;
- (C) by cancelling and extinguishing all of the Cadbury plc Beverage Shares in issue as at the Reduction of Capital Record Time on terms that the holders of such Cadbury plc Beverage Shares shall receive 12 shares of common stock of Dr Pepper Snapple Group, Inc. for every 36 Cadbury plc Beverage Shares held at the Reduction of Capital record time;
- (D) by cancelling and extinguishing all of the authorised and unissued Cadbury plc Beverage Shares as at the Reduction of Capital Record Time;
- (E) by cancelling and extinguishing all of the deferred shares of £1 each in the capital of the Company in issue as at the Reduction of Capital Record Time each having the rights and being subject to the conditions set out in article 4.1(C) of the Articles of Association of the Company as adopted with effect from the registration by the Registrar of Companies of the order of the Court confirming the reduction of capital of Cadbury Schweppes plc as provided for by the Scheme (the “**Deferred Shares**”) on terms that the holders of the Deferred Shares shall each be paid in cash an amount equal to the nominal value of the Deferred Shares held by them together with any accrued income in accordance with the Company’s Articles of Association; and

(F) by cancelling and extinguishing all of the redeemable preference shares of £1 each in the capital of the Company in issue as at the Reduction of Capital Record Time each having the rights and being subject to the conditions set out in article 4.1(D) of the Articles of Association of the Company as adopted with effect from the registration by the Registrar of Companies of the order of the Court confirming the reduction of capital of Cadbury Schweppes plc as provided for by the Scheme (the “**Redeemable Preference Shares**”) on terms that the holders of the Redeemable Preference Shares shall each be paid in cash an amount equal to the nominal value of the Redeemable Preference Shares held by them together with any accrued income in accordance with the Company’s Articles of Association.

J. C. BADDELEY  
CHAIRMAN OF THE MEETING

**The Companies Act 1985 (as amended) (the “Act”)**  
**Company limited by shares**  
**Resolutions of**  
**Cadbury plc**  
**(the “Company”)**

At a General Meeting of the Company on 5 March, 2008, the following resolutions were passed:

**Special Resolutions**

2. **THAT**, the proposed scheme of arrangement between Cadbury Schweppes plc and its members pursuant to section 425 of the Act (the “**Scheme**”) be and is approved and the Company be and is authorised to appear by counsel at all necessary court hearings in connection therewith and to undertake to the High Court of Justice in England and Wales (the “**Court**”) to be bound thereby and to execute and do or procure to be executed and done all such documents, acts and things as may be necessary or desirable to be executed or done by it for the purpose of giving effect to the Scheme.
3. **THAT**, with effect from the registration by the Registrar of Companies of the order of the Court confirming the reduction of capital of Cadbury Schweppes plc as provided for by the Scheme (the “**Scheme Effective Date**”), the regulations contained in the document produced to the meeting and initialled by the Chairman for the purposes of identification be and are hereby approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all existing articles thereof.
4. **THAT**, with effect from the Scheme Effective Date the two ordinary shares of £1 each in the capital of the Company and which are issued and paid-up be converted into and redesignated as deferred shares of £1 each having the rights and being subject to the conditions set out in article 4.1(C) of the Articles of Association of the Company as adopted by Resolution 2 above (the “**Deferred Shares**”).
5. **THAT**, with effect from the Scheme Effective Date, the directors be and are hereby empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred by Resolution 9 below and/or where such allotment constitutes an allotment of equity securities by virtue of section 94(3A) of the Act, as if section 89(1) of the Act did not apply to such allotments, provided that the power granted by this resolution shall be limited to:
  - (A) the allotment of equity securities in connection with a rights issue, open offer or other pre-emptive offer in favour of holders of Cadbury plc Ordinary Shares (which term when used in these resolutions shall have the meaning given to it in the Scheme) or other equity securities in the capital of the Company (excluding any holder holding

shares as treasury shares) where the equity securities respectively attributable to the interests of such persons on a fixed record date are proportionate (as nearly as may be) to the respective numbers of equity securities held by them or are otherwise allotted in accordance with the rights attaching to such equity securities (subject in either case to such exclusions or other arrangements as the directors may deem necessary or expedient to deal with fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange, or any other matter whatsoever); and

- (B) the allotment (otherwise than pursuant to sub-paragraph (A) above) of equity securities up to an aggregate nominal amount of £6,873,632 (representing approximately five per cent. of the expected issued ordinary share capital of the Company immediately after the proposed reduction of capital of the Company under sections 135 to 137 of the Act (the **"Reduction of Capital"**) becomes effective),

and shall expire at the conclusion of the first annual general meeting of the Company save that such authority shall extend to the making before such expiry of an offer or an agreement that would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of that offer or agreement as if the authority conferred by that resolution had not expired.

- 6. **THAT**, with effect from the Scheme Effective Date, the Company be and hereby is generally authorised pursuant to and in accordance with section 166 of the Act to make market purchases (as defined in section 163(3) of the Act) of Cadbury plc Ordinary Shares upon and subject to the following conditions:
  - (A) the maximum number of such Cadbury plc Ordinary Shares hereby authorised to be acquired is that number of Cadbury plc Ordinary Shares which has a total nominal value of £13,747,264 (representing approximately ten per cent. of the expected issued ordinary share capital of the Company immediately after the Reduction of Capital becomes effective);
  - (B) the minimum price, exclusive of expenses, which may be paid for each such Cadbury plc Ordinary Share is an amount equal to the nominal value of each such Cadbury plc Ordinary Share;
  - (C) the maximum price, exclusive of expenses, which may be paid for any such Cadbury plc Ordinary Share is an amount equal to 105 per cent. of the average middle market quotations for the Cadbury plc Ordinary Shares taken from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such Cadbury plc Ordinary Share is contracted to be purchased;

- (D) the authority conferred hereby shall expire at the conclusion of the first annual general meeting of the Company; and
  - (E) the Company may enter into a contract or contracts for the purchase of such Cadbury plc Ordinary Shares before the expiry of the authority conferred by this resolution which would or might be completed wholly or partly after its expiry.
7. **THAT**, subject to and conditional upon the issue of the Cadbury plc Ordinary Shares and the Cadbury plc Beverage Shares (which terms when used in these resolutions shall have the meanings given to them in the Scheme) pursuant to the Scheme, the share capital of the Company be reduced:
- (A) by cancelling paid-up share capital to the extent of 490 pence on each Cadbury plc Ordinary Share in issue as at 6.00 p.m. on the business day immediately preceding the date on which the order of the High Court of Justice in England and Wales confirming the Reduction of Capital is registered by the Registrar of Companies (the “**Reduction of Capital Record Time**”) and reducing the nominal value of each such Cadbury plc Ordinary Share from 500 pence to 10 pence;
  - (B) by reducing the nominal value of each unissued Cadbury plc Ordinary Share as at the Reduction of Capital Record Time from 500 pence to 10 pence;
  - (C) by cancelling and extinguishing all of the Cadbury plc Beverage Shares in issue as at the Reduction of Capital Record Time on terms that the holders of such Cadbury plc Beverage Shares shall receive 13 shares of common stock of Dr Pepper Snapple Group, Inc. for every 37 Cadbury plc Beverage Shares held at the Reduction of Capital record time;
  - (D) by cancelling and extinguishing all of the authorised and unissued Cadbury plc Beverage Shares as at the Reduction of Capital Record Time;
  - (E) by cancelling and extinguishing all of the Deferred Shares in issue as at the Reduction of Capital Record Time on terms that the holders of the Deferred Shares shall each be paid in cash an amount equal to the nominal value of the Deferred Shares held by them together with any accrued income in accordance with the Company’s Articles of Association; and
  - (F) by cancelling and extinguishing all of the redeemable preference shares of £1 each in the capital of the Company in issue as at the Reduction of Capital Record Time each having the rights and being subject to the conditions set out in article 4.1 (D) of the Articles of Association of the Company as adopted by Resolution 2 above (the “**Redeemable Preference Shares**”) on terms that the holders of the



Redeemable Preference Shares shall each be paid in cash an amount equal to the nominal value of the Redeemable Preference Shares held by them together with any accrued income in accordance with the Company's Articles of Association.

8. **THAT**, with effect from the Reduction of Capital becoming effective, the Company's Articles of Association be amended by deleting the share rights of the Cadbury plc Beverage Shares, the Redeemable Preference shares and the Deferred shares contained therein.

#### **Ordinary Resolutions**

9. **THAT**, with effect from the Scheme Effective Date, the authorised share capital of the Company be increased from £50,000 to £17,500,050,000 by the creation of 2,500,000,000 Cadbury plc Ordinary Shares of 500 pence each and 1,000,000,000 Cadbury plc Beverage Shares of 500 pence each.
10. **THAT**, with effect from the Scheme Effective Date, the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the Company to allot relevant securities (as defined in section 80 of the Act):
- (A) up to a maximum aggregate nominal amount of £17,500,000,000 as required for the purposes of the Scheme; and
  - (B) up to a maximum nominal amount of £45,824,212 (representing approximately one third of the expected issued ordinary share capital of the Company immediately after the Reduction of Capital becomes effective), at any time or times before the conclusion of the first annual general meeting of the Company (unless previously revoked or varied by the Company in general meeting) and such authority shall extend to the making before such expiry of an offer or an agreement that would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of that offer or agreement as if the authority conferred hereby had not expired.
11. **THAT**, with effect from the Scheme Effective Date, the Company be and is authorised to serve any notice or send or supply any other document or information to a member (or where applicable a nominee) by making the notice or document or information available on the Company's website or by using electronic means.

J. C. BADDELEY  
CHAIRMAN OF THE MEETING

**The Companies Act 1985 (as amended)**  
**Company limited by shares**  
**Resolutions of**  
**Cadbury plc**  
(the “Company”)

At a General Meeting of the Company on 14 February, 2008, the following resolutions were passed:

**Ordinary Resolutions**

10. **THAT** the directors be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £49,998, which authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution (unless previously revoked or varied by the Company in general meeting) save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

**Special Resolutions**

11. THAT Article 4.1 of the Company’s articles of association be amended by replacing the words “The rights and restrictions attached to redeemable preference shares are as follows:” with the words “The rights and restrictions attaching to the redeemable preference shares of £1 each in the capital of the company (the “redeemable preference shares”) are as follows:”.
12. THAT the directors be and are hereby empowered, pursuant to Section 95 of the Companies Act 1985, to allot equity securities (within the meaning of Section 94 of the said Act) for cash pursuant to the authority conferred by resolution 10 above as if sub-section (1) of Section 89 of the said Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities up to an aggregate nominal value of £49,998, and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may allot equity securities in pursuance of such an offer or agreement as if the power conferred hereby had not expired.

13. THAT the unissued 49,998 ordinary shares of £1 each comprised in the share capital of the Company be converted into, and redesignated as, redeemable preference shares of £1 each in the share capital of the Company having the rights and being subject to the conditions set out in sub-clause 4.1 of the articles of association of the Company as amended pursuant to Resolution 11.

J. C. BADDELEY  
CHAIRMAN OF THE MEETING

No. 6497379

**MEMORANDUM OF ASSOCIATION  
OF  
Cadbury plc  
a public limited company**

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**1. Name**

The name of the company is "Cadbury plc".

**2. Type of Company**

The company is to be a public company.

**3. Registered Office**

The company's registered office is to be situated in England and Wales.

**4. Objects**

The objects for which the company is established are:-

- (A) To carry on business as a general commercial company and to carry on any trade or business whatsoever.
- (B) To carry on all or any of the businesses of manufacturers, bottlers, sellers, distributors, importers and exporters of, and dealers in, natural and artificial mineral and aerated waters and non-alcoholic and alcoholic beverages of every description and essences, concentrates, bases and preparations of all kinds for beverages and foods and to manufacture, purchase, sell and otherwise deal in, bottles and containers of every description, and crates, packing cases and materials of all kinds.
- (C) To carry on all or any of the businesses of growers, merchants, brokers, shippers and carriers and to grow, buy, sell and deal in, goods and merchandise of all kinds.
- (D) To carry on all or any of the businesses of refreshment caterers and contractors, refreshment room proprietors, hotel keepers, licensed victuallers, restaurant proprietors, inn keepers and managers of any such premises, ice manufacturers and merchants, manufacturers of and dealers in canned goods, sugar, preserves, confectionery and chilled and frozen foods and beverages of every description and of machinery and equipment of every type and generally to acquire, promote, undertake, carry on and execute any business, undertaking, transaction or operation, whether agricultural, extractive, manufacturing, financial, mercantile, trading or otherwise.

- (E) To undertake, promote or engage or co-operate or assist in research, scientific and other experimental work and to establish, form, equip, take over, support, maintain and work, scientific and experimental stations, laboratories, factories, plant and machinery and to employ and remunerate and to provide accommodation for the requisite staff or to assist and co-operate in so doing.
- (F) To acquire any estate or interest in and to take options over, construct, develop or exploit any property, real or personal, and rights of any kind and the whole or any part of the undertaking, assets and liabilities of any person and to act as a holding company.
- (G) To provide services of all descriptions.
- (H) To lend money and grant or provide credit and financial accommodation to any person and to deposit money with any person.
- (I) To invest money of the company in any investments and to hold, sell or otherwise deal with investments or currencies or other financial assets.
- (J) To enter into any arrangements with any government or authority or person and to obtain from any government or authority or person any legislation, orders, rights, privileges, franchises and concessions.
- (K) To borrow and raise money and accept money on deposit and to secure or discharge any debt or obligation in any manner and in particular (without prejudice to the generality of the foregoing) by mortgages of or charges upon all or any part of the undertaking, property and assets (present and future) and uncalled capital of the company or by the creation and issue of securities.
- (L) To enter into any guarantee, contract of indemnity or suretyship and in particular (without prejudice to the generality of the foregoing) to guarantee, support or secure, with or without consideration, whether by personal obligation or by mortgaging or charging all or any part of the undertaking, property and assets (present and future) and uncalled capital of the company or by both such methods or in any other manner, the performance of any obligations or commitments of, and the repayment or payment of the principal amounts of and any premiums interest dividends and other moneys payable on or in respect of any securities or liabilities of, any person, including (without prejudice to the generality of the foregoing) any company which is at the relevant time a subsidiary or a holding company of the company or another subsidiary of a holding company of the company or otherwise associated with the company.
- (M) To amalgamate or enter into partnership or any profit-sharing arrangement with, or to co-operate or participate in any way with, or

to take over or assume any obligation of, or to assist or subsidise any person.

- (N) To sell, exchange, mortgage, charge, let, grant licences, easements, options and other rights over, and in any other manner deal with, or dispose of, all or any part of the undertaking, property and assets (present and future) of the company for such consideration as may be thought fit and in particular (without prejudice to the generality of the foregoing) for any securities or for a share of profit or a royalty or other periodical or deferred payment.
- (O) To issue and allot securities of the company for cash or in payment or part payment for any real or personal property purchased or otherwise acquired by the company or any services rendered to the company or as security for any obligation or amount (even if less than the nominal amount of such securities) or for any other purpose, and to give any remuneration or other compensation or reward for services rendered or to be rendered in placing or procuring subscriptions of, or otherwise assisting in the issue of, any securities of the company or in or about the formation of the company or the conduct or course of its business.
- (P) To establish or promote, or concur or participate in establishing or promoting, any company, fund or trust and to subscribe for, underwrite, purchase or otherwise acquire securities of any company, fund or trust and to act as director of and as secretary, manager, registrar or transfer agent for any other company.
- (Q) To pay all the costs, charges and expenses preliminary or incidental to the promotion, formation, establishment and incorporation of the company, and to procure the registration or incorporation of the company in or under the laws of any place outside England.
- (R) To the extent permitted by law, to give financial assistance for the purpose of the acquisition of shares of the company or any company which is at the relevant time the company's holding company or subsidiary or another subsidiary of any such holding company or for the purpose of reducing or discharging a liability incurred for the purpose of such an acquisition.
- (S) To grant or procure the grant of donations, gratuities, pensions, annuities, allowances or other benefits, including benefits on death, to, or purchase and maintain any type of insurance for or for the benefit of, any directors, officers or employees or former directors, officers or employees of the company or any company which at any time is or was a subsidiary or a holding company of the company or another subsidiary of a holding company of the company or otherwise associated with the company or of any predecessor in business of any of them, and to the relations, connections or dependants of any such persons, and to other persons whose service or services have directly

or indirectly been of benefit to the company or whom the board of directors of the company considers have any moral claim on the company or to their relations, connections or dependants, and to establish or support any funds, trusts, insurances or schemes or any associations, institutions, clubs or schools, or to do any other thing likely to benefit any such persons or otherwise to advance the interests of such persons or the company or its members, and to subscribe, guarantee or pay money for any purpose likely, directly or indirectly, to further the interests of such persons or the company or its members or for any national, charitable, benevolent, educational, social, public, general or useful object.

- (T) To cease carrying on or to wind up any business or activity of the company, and to cancel any registration of and to wind up or procure the dissolution of the company in any state or territory.
- (U) To distribute any of the property of the company among its creditors and members or any class of either in cash, specie or kind.
- (V) To do all or any of the above things or matters in any part of the world and either as principals, agents, contractors, trustees or otherwise and by or through trustees, agents or otherwise and either alone or in conjunction with others.
- (W) To carry on any other activity and do anything of any nature which in the opinion of the board of directors of the company is or may be capable of being conveniently carried on or done in connection with the above, or likely directly or indirectly to enhance the value of or render more profitable all or any part of the company's undertaking property or assets or otherwise to advance the interests of the company or of its members.
- (X) To do any other thing which in the opinion of the board of directors of the company is or may be incidental or conducive to the attainment of the above objects or any of them.
- (Y) In this clause "**company**", except where used in reference to this company, shall include any partnership or other body of persons, whether incorporated or not incorporated, and whether formed, incorporated, domiciled or resident in the United Kingdom or elsewhere, "**person**" shall include any company as well as any other legal or natural person, "**securities**" shall include any fully, partly or nil paid or no par value share, stock, unit, debenture, debenture or loan stock, deposit receipt, bill, note, warrant, coupon, right to subscribe or convert, or similar right or obligation, "**and**" and "**or**" shall mean "**and/or**" where the context so permits, "**other**" and "**otherwise**" shall not be construed ejusdem generis where a wider construction is possible, and the objects specified in the different paragraphs of this clause shall not, except where the context expressly requires, be in any way limited or restricted by reference to

or inference from the terms of any other paragraph or the name of the company or the nature of any trade or business carried on by the company, or by the fact that at any time the company is not carrying on any trade or business but may be carried out in as full and ample a manner and shall be construed in as wide a sense as if each of those paragraphs defined the objects of a separate distinct and independent company.

## **5. Liability of Members**

The liability of the members is limited.

## **6. Share Capital**

The company's share capital is £250,000,000 divided into 2,500,000,000 ordinary shares of 10 pence each<sup>1</sup>, and the company shall have the power from time to time to divide the original or any increased capital into classes, and to attach thereto any preferential, deferred, qualified or other special rights, privileges, restrictions or conditions.

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<sup>1</sup> The share capital of the company on incorporation was £50,000 divided into 50,000 ordinary shares of £1 each. By a special resolution passed on 14 February, 2008 the 49,998 unissued ordinary shares of £1 each comprised in the share capital of the Company were converted into and redesignated as redeemable preference shares of £1 each. By an ordinary resolution passed on 5 March, 2008 the share capital of the company was increased with effect from 2 May, 2008 by the creation of 2,500,000,000 ordinary shares of 500 pence each and 1,000,000,000 beverage shares of 500 pence each. By a special resolution passed on 5 March, 2008 the two ordinary shares of £1 each in the share capital of the company held by the subscribers to the company's Memorandum of Association were converted into and redesignated as deferred shares of £1 with effect from 2 May, 2008. The capital of the company was reduced, by special resolution passed at a general meeting of the company held on 11 March, 2008, and confirmed by order of the High Court on 6 May, 2008, to £250,000,000 by the reduction of the nominal value of each ordinary share from 500 pence to 10 pence and the cancellation of the beverage shares of 500 pence each, the redeemable preference shares of £1 each and the deferred shares of £1 each comprised in the share capital of the company.



We, the subscribers of this memorandum of association, wish to be formed into a company pursuant to this memorandum; and we agree to take the number of shares shown opposite our respective names.

Subscribers		Number of shares taken by each subscriber
1.	Full name : Julian Charles Baddeley Address : Flat 5, 10 Madeley Road, London, W5 2LH.	One
2.	Full name : Nicola Sarah Jane McNish Address : 65 Chelsham Road, London, SW4 6NN.	One
Total shares taken :		Two
Dated		7 February, 2008

Witness to the above signatures

Full name : Victoria Elizabeth Hames  
Address : 36 Upland Road, London SE22 9EF

ARTICLES OF ASSOCIATION

of

CADBURY

public limited company

(Articles adopted on 2 May, 2008<sup>1</sup>)

**1. Exclusion of other Regulations**

The regulations in any legislation relating to companies do not apply to the company.

**2. Definitions**

(A) The following table gives the meaning of certain words and expressions as they are used in these articles. However, the meaning given in the table does not apply if it is not consistent with the context in which a word or expression appears. At the end of these articles there is a Glossary which explains various words and expressions which appear in the text. The Glossary also explains some of the words and expressions used in the memorandum. The Glossary is not part of the memorandum or articles and does not affect their meaning.

“address”	includes a number or address used for sending or receiving documents or information by electronic means;
“amount” (of a share)	this refers to the nominal amount of the share;
“these articles”	means these articles of association, including any changes made to them, and the expression “this article” refers to a particular article in these articles of association;
“auditors”	means the auditor of the company and, where two or more people are appointed to act jointly, any one of them;

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<sup>1</sup> As amended with effect from 7 May, 2008 pursuant to a special resolution passed on 5 March, 2008.

“Bank of England base rate”	means the base lending rate most recently set by the Monetary Policy Committee of the Bank of England in connection with its responsibilities under Part 2 of the Bank of England Act 1998;
“certificated share”	means a share which is not a CREST share and is normally held in certificated form;
“chairman”	means the chairman of the board of directors;
“clear days”	in relation to the period of a notice means that period excluding the day when the notice is served or deemed to be served and the day for which it is given or on which it is to take effect;
“CREST”	means the electronic settlement system for securities traded on a recognised investment exchange and owned by Euroclear UK & Ireland Limited, or any similar system;
“CREST share”	means a share which is noted on the shareholders’ register as being held through CREST in uncertificated form;
“directors”	means the executive and non-executive directors of the company who make up its board of directors (and “director” means any one of them) or the directors present at a meeting of the directors at which a quorum is present;
“holder”	in relation to any shares means either (i) the person whose name is entered in the register as the holder of those shares or (ii) where a share warrant has been issued (and not cancelled) in respect of a share, the person in possession of that warrant;
“legislation”	means every statute (and any orders, regulations or other subordinate legislation made under it) applying to the company;
“the office”	means the company’s registered office;
“ordinary shareholder”	means a holder of ordinary shares;

“ordinary shares”	means the company’s ordinary shares;
“paid up”	means paid up or treated (credited) as paid up;
“pay”	includes any kind of reward or payment for services;
“register”	means the company’s register of shareholders and, at any time when the company has shares in issue which are CREST shares, means the Operator register of members (maintained by CREST) and the issuer register of members (maintained by the company);
“seal”	means any common or official seal that the company may have under the legislation;
“secretary”	means the secretary, or (if there are joint secretaries) any one of the joint secretaries, of the company and includes an assistant or deputy secretary and any person appointed by the directors to perform any of the duties of the secretary;
“shareholder”	means a holder of the company’s shares;
“uncertificated securities rules”	means any provision in the legislation which relates to CREST shares or to the transfer of CREST shares or how the ownership of CREST shares is evidenced; and
“United Kingdom”	means Great Britain and Northern Ireland.

- (B) References in these articles to a document being “signed” or to “signature” include references to its being executed under hand or under seal or by any other method and, in the case of a communication in electronic form, such references are to its being authenticated as specified by the legislation.
- (C) References in these articles to “writing” and to any form of “written” communication include references to any method of representing or reproducing words in a legible and non-transitory form whether sent or supplied in electronic form or otherwise.
- (D) Any words or expressions defined in the legislation in force when these articles or any part of these articles are adopted will (if not inconsistent with the subject or context in which they appear) have the same meaning in

these articles or that part save the word “company” includes any body corporate.

- (E) References to a meeting will not be taken as requiring more than one person to be present if any quorum requirement can be satisfied by one person.
- (F) Headings in these articles are only included for convenience. They do not affect the meaning of these articles.
- (G) Where these articles refer to a person who is entitled to a share by law, this means a person who has been noted in the register as being entitled to a share as a result of the death or bankruptcy of a shareholder or some other event which gives rise to the transmission of the share by operation of law.

### **3. Authorised Share Capital**

The company’s authorised share capital at the date of adoption of these articles consists of 2,500,000,000 ordinary shares of 500 pence each; 1,000,000,000 beverage shares of 500 pence each; 49,998 redeemable preference shares of £1 each; and 2 deferred shares of £1 each.<sup>2</sup>

### **4. Rights Attached to Shares<sup>3</sup>**

The company can issue shares with any rights or restrictions attached to them as long as this is not restricted by any rights attached to existing shares. These rights or restrictions can be decided either by an ordinary resolution passed by the shareholders or by the directors as long as there is no conflict with any resolution passed by the shareholders.

### **5. Redeemable Shares**

Subject to any rights attached to existing shares, the company can issue shares which can be redeemed. This can include shares which can be redeemed if the holders want to do so, as well as shares which the company can insist on redeeming.

### **6. Purchase of Own Shares**

Subject to any rights attached to existing shares, the company can purchase or contract to purchase any of its shares (including redeemable shares), if the legislation allows this. The directors are not required to select the shares to purchase in any particular manner.

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<sup>2</sup> The share capital of the company was reduced, by a special resolution passed at a General Meeting of the Company held on 11 March, 2008, and confirmed by order of the High Court on 6 May, 2008, to £250,000,000 by the reduction of the nominal value of each ordinary share from 500 pence to 10 pence and the cancellation of the beverage shares of 500 pence each, the redeemable preference shares of £1 each and the deferred shares of £1 each comprised in the share capital of the Company.

<sup>3</sup> As amended with effect from 7 May, 2008 pursuant to a special resolution passed on 5 March, 2008.

## **7. Variation of Rights**

If the legislation allows this, the rights attached to any class of shares can be changed if this is approved either in writing by shareholders holding at least three quarters of the issued shares of that class by amount (excluding any shares of that class held as treasury shares) or by a special resolution passed at a separate meeting of the holders of the relevant class of shares. This is called a “class meeting”.

All the articles relating to general meetings will apply to any such class meeting, with any necessary changes. The following changes will also apply:

- (i) a quorum will be present if at least two shareholders who are entitled to vote are present in person or by proxy who own at least one third in amount of the issued shares of the class (excluding any shares of that class held as treasury shares);
- (ii) any shareholder who is present in person or by proxy and entitled to vote can demand a poll;
- (iii) on a poll every shareholder who is present in person or by proxy and entitled to vote is entitled to one vote for every share he has of the class (but this is subject to any special rights or restrictions which are attached to any class of shares); and
- (iv) at an adjourned meeting, one person entitled to vote and who holds shares of the class, or his proxy, will be a quorum.

The provisions of this article will apply to any change of rights of shares forming part of a class. Each part of the class which is being treated differently is treated as a separate class in applying this article.

## **8. Pari Passu Issues**

If new shares are created or issued which rank equally with any other existing shares, the rights of the existing shares will not be regarded as changed or abrogated unless the terms of the existing shares expressly say otherwise.

## **9. Unissued Shares**

The directors can decide how to deal with any shares which have not been issued. They can, for instance, offer the shares for sale, grant options to acquire them, allot them or dispose of the shares in any other way. The directors are free to decide who they deal with, when they deal with the shares and the terms on which they deal with the shares. However, in making their decision they must take account of:

- (i) the provisions of the legislation relating to authority, pre-emption rights and other matters;
- (ii) the provisions of these articles;

- (iii) any resolution passed by the shareholders; and
- (iv) any rights attached to existing shares.

#### **10. Payment of Commission**

In connection with any share issue or any sale of treasury shares for cash, the company can use all the powers given by the legislation to pay commission or brokerage. The company can pay the commission in cash or by allotting fully or partly-paid shares or other securities or by a combination of both.

#### **11. Trusts Not Recognised**

The company will only be affected by, or recognise, a current and absolute right to whole shares. The fact that any share, or any part of a share, may not be owned outright by the registered owner (for example, where a share is held by one person as a nominee or otherwise as a trustee for another person) is not of any concern to the company. This applies even if the company knows about the ownership of the share. The only exceptions to this are where the rights of the kind described are expressly given by these articles or are of a kind which the company has a legal duty to recognise.

#### **12. Suspension of Rights Where Non-Disclosure of Interest (LR 9.3.9R)**

- (A) The company can under the legislation send out notices to those it knows or has reasonable cause to believe have an interest in its shares. In the notice, the company will ask for details of those who have an interest and the extent of their interest in a particular holding of shares. In these articles this notice is referred to as a “statutory notice” and the holding of shares is referred to as the “identified shares”.
- (B) When a person receives a statutory notice, he has 14 days to comply with it. If he does not do so or if he makes a statement in response to the notice which is false or inadequate in some important way, the company can decide to restrict the rights relating to the identified shares and send out a further notice to the holder, known as a restriction notice. The restriction notice will take effect when it is delivered. The restriction notice will state that the identified shares no longer give the shareholder any right to attend or vote either personally or by proxy at a shareholders’ meeting or to exercise any other right in relation to shareholders’ meetings.
- (C) Where the identified shares make up 0.25 per cent. or more (in amount or in number) of the existing shares of a class (calculated exclusive of any shares of that class held as treasury shares) at the date of delivery of the restriction notice, the restriction notice can also contain the following further restrictions:
  - (i) the directors can withhold any dividend or part of a dividend (including scrip dividend) or other money which would otherwise be

payable in respect of the identified shares without any liability to pay interest when such money is finally paid to the shareholder; and

- (ii) the directors can refuse to register a transfer of any of the identified shares which are certificated shares unless the directors are satisfied that they have been sold outright to an independent third party. The independent third party must not be connected with the shareholder or with any person appearing to be interested in the shares. Any sale through a recognised investment exchange or any other stock exchange outside the United Kingdom or by way of acceptance of a takeover offer will be treated as an outright sale to an independent third party. For this purpose, any associate (as that term is defined in section 435 of the Insolvency Act 1986) is included in the class of persons who are connected with the shareholder or any person appearing to be interested in the shares. In order to enforce the restriction in this subparagraph, the directors can give notice to the relevant shareholder requiring him to change identified shares which are CREST shares to certificated shares by the time given in the notice and to keep them in certificated form for as long as the directors require. The notice can also say that the relevant shareholder may not change any identified shares which are certificated shares to CREST shares. If the shareholder does not comply with the notice, the directors can authorise any person to instruct the Operator to change any identified shares which are CREST shares to certificated shares in the name and on behalf of the relevant shareholder.
- (D) Once a restriction notice has been given, the directors are free to cancel it or exclude any shares from it at any time they think fit. In addition, they must cancel the restriction notice within seven days of being satisfied that all information requested in the statutory notice has been given. Also, where any of the identified shares are sold and the directors are satisfied that they were sold outright to an independent third party, they must cancel the restriction notice within seven days of receipt of notification of the sale. If a restriction notice is cancelled or ceases to have effect in relation to any shares, any moneys relating to those shares which were withheld will be paid to the person who would have been entitled to them or as he directs.
- (E) The restriction notice will apply to any further shares issued in right of the identified shares. The directors can also make the restrictions in the restriction notice apply to any right to an allotment of further shares associated with the identified shares.
- (F) If a shareholder receives a restriction notice, he can ask the company for a written explanation of why the notice was given, or why it has not been cancelled. The company must respond within 14 days of receiving the request.
- (G) If the company gives a statutory notice to a person it has reasonable cause to believe has an interest in any of its shares, it will also give a copy at the



same time to the person who holds the shares. If the company does not do so or the holder does not receive the copy, this will not invalidate the statutory notice.

- (H) This article does not restrict in any way the provisions of the legislation which apply to failures to comply with notices under the legislation.

### **13. Uncertificated Shares**

- (A) Under the uncertificated securities rules, the directors can allow the ownership of shares to be evidenced without share certificates and for these shares to be transferred through CREST. The directors can select and make arrangements for any class of shares to participate in CREST in this way, provided that the shares of the class are identical in all respects.

As long as the directors comply with the uncertificated securities rules, they can also withdraw a class of shares from being transferred through CREST and from allowing ownership of them to be evidenced without share certificates.

CREST shares do not form a class of shares separate from certificated shares with the same rights.

- (B) If the company has any shares in issue which are CREST shares, these articles apply to those shares, but only as far as they are consistent with:

- (i) holding shares in an uncertificated form;
- (ii) transferring shares through CREST; or
- (iii) any provision of the uncertificated securities rules,

and, without affecting the general nature of this article, no provision of these articles applies so far as it is inconsistent with the maintenance, keeping or entering up by the Operator, so long as that is permitted or required by the uncertificated securities rules, of an Operator register of securities in respect of CREST shares.

- (C) CREST shares can be changed to become certificated shares and certificated shares can be changed to become CREST shares, provided the requirements of the uncertificated securities rules are met.
- (D) If under these articles or the legislation the company can sell, transfer or otherwise dispose of, forfeit, re-allot, accept the surrender of or otherwise enforce a lien over a CREST share, then, subject to these articles and the legislation, the directors may:
- (i) require the holder of that CREST share by written notice to change that CREST share to a certificated share within a period specified in the notice and to keep it as a certificated share for as long as the directors require;

- (ii) appoint any person to take any other steps, by instruction given through CREST or otherwise, in the name of the holder of that share as may be necessary to effect the transfer of that share and these steps will be as effective as if they had been taken by the registered holder of that share; and
  - (iii) take any other action that the directors consider appropriate to achieve the sale, transfer, disposal, forfeiture, re-allotment or surrender of that share or otherwise to enforce a lien in respect of that share.
- (E) Unless the directors decide otherwise, CREST shares held by a shareholder will be treated as separate holdings from any certificated shares which that shareholder holds.
- (F) Unless the uncertificated securities rules otherwise require or the directors otherwise determine, shares which are issued or created from or in respect of CREST shares will be CREST shares and shares which are issued or created from or in respect of certificated shares will be certificated shares.
- (G) The company can assume that entries on any record of securities kept by it as required by the uncertificated securities rules and regularly reconciled with the relevant Operator register of securities are a complete and accurate reproduction of the particulars entered in the Operator register of securities and therefore will not be liable in respect of anything done or not done by or on its behalf in reliance on such assumption; in particular, any provision of these articles which requires or envisages action to be taken in reliance on information contained in the register allows that action to be taken in reliance on information contained in any relevant record of securities (as so maintained and reconciled).

#### **14. Right to Share Certificates**

- (A) When a shareholder is first registered as the holder of any class of certificated shares, he is entitled, free of charge, to one certificate for all of the certificated shares of that class which he holds. If a shareholder holds certificated shares of more than one class, he is entitled to a separate share certificate for each class. This does not apply if the legislation allows the company not to issue share certificates.
- (B) If a shareholder receives more certificated shares of any class, he is entitled, without charge, to a certificate for the extra shares.
- (C) If a shareholder transfers some of the shares represented by a share certificate, he is entitled, free of charge, to a new certificate for the balance to the extent the balance is to be held in certificated form.
- (D) Where a certificated share is held jointly, the company does not have to issue more than one certificate for that share. When the company delivers a

share certificate to one joint shareholder, this is treated as delivery to all of the joint shareholders.

- (E) The time limit for the company to provide a share certificate under this article is as prescribed by the legislation or, if this is earlier, within any prescribed time limit or within a time specified when the shares were issued.

#### **15. Replacement of Share Certificates**

- (A) If a shareholder has two or more share certificates for shares of the same class, he can ask the company for these to be cancelled and replaced by a single new certificate. The company must comply with this request.
- (B) A shareholder can ask the company to cancel and replace a single share certificate with two or more certificates for the same total number of shares. The company may comply with this request.
- (C) A shareholder can ask the company for a new certificate if the original is:
- (i) damaged or defaced; or
  - (ii) said to be lost, stolen or destroyed.
- (D) If a certificate has been damaged or defaced, the company can require the certificate to be returned to it before issuing a replacement. If a certificate is said to be lost, stolen or destroyed, the company can require satisfactory evidence of this and insist on receiving an indemnity before issuing a replacement.
- (E) The directors can require the shareholder to pay the company's exceptional out-of-pocket expenses incurred in connection with the issue of any certificates under this article.
- (F) Any one joint shareholder can request replacement certificates under this article.

#### **16. Execution of Share Certificates**

Share certificates must be sealed or made effective in such other way as the directors decide, having regard to the terms of issue and any listing requirements. The directors can resolve that signatures on any share certificates can be applied to the certificates by mechanical or other means or can be printed on them or that signatures are not required. A share certificate must state the number and class of shares to which it relates and the amount paid up on those shares.

#### **17. Warrants**

- (A) The company may issue share warrants under the powers given by the legislation, and the board may accordingly, with respect to any shares which are fully paid (in any case in which it shall in its discretion think fit so to do),

issue (upon such terms as it thinks fit and upon an application in writing by the person for the time being named in or entitled to be entered in the register as a holder of the shares in respect of which the warrant is to be issued) under seal a warrant stating that the bearer of the warrant is entitled to the shares therein specified, and may, in any case in which a warrant is so issued, provide by coupons or otherwise for the payment of the future dividends or other moneys on the shares included in such warrant.

(B) Subject to the provisions of these articles and of the legislation the bearer of a warrant shall be deemed to be a member of the company and shall be entitled to the same privileges and advantages as he would have had if his name had been included in the register as the holder of the shares specified in such warrant.

(C) No person shall, as bearer of a warrant, be entitled:

(i) to sign a requisition for calling a meeting or to give notice of intention to submit a resolution to a meeting; or

(ii) to attend or vote by himself or his proxy or exercise any privilege as a member at a meeting,

unless he shall have:

(a) before or at the time of lodging such requisition or giving such notice of intention as aforesaid; or

(b) three days at least before the day fixed for the meeting,

deposited in each case at the office or at such other place as may be specified in the notice of meeting the warrant in respect of which he claims to act, attend or vote as aforesaid, and provided in any event the warrant shall remain so deposited until after the meeting and any adjournment thereof shall have been held.

(D) Not more than one name shall be received as that of the holder of a warrant.

(E) To any person so depositing a warrant there shall be delivered a certificate (in such form and from such person as the board shall approve) stating his name and address and describing the shares included in the warrant so deposited, and bearing the date of issue of the certificate, and such certificate shall entitle him, or his proxy duly appointed, as hereinafter provided, to attend and vote at any general meeting held within three months from the date of the certificate in the same way as if he were the registered holder of the shares specified in the certificate.

(F) Upon delivery of the certificate to the company, the bearer of the certificate shall be entitled to receive the warrant in respect of which the certificate was given.

- (G) The holder of a warrant shall not, save as aforesaid, be entitled to exercise any right as a member, unless (if called upon by any director or the secretary so to do) he produces his warrant and states his name and address.
- (H) The board may from time to time make regulations as to the terms upon which, if in its discretion it thinks fit, a new warrant or coupon may be issued and in particular (but without limitation) in any case in which a warrant or coupon may have been worn out, defaced, lost or destroyed, but no new warrant may be issued to replace one that has been lost or destroyed unless the board is satisfied beyond reasonable doubt that the original has been lost or destroyed. Subject to such regulations and to these articles, the bearer of a warrant or coupon shall be subject to the conditions for the time being in force relating to warrants or coupons, whether made before or after the issue of such warrant or coupon.
- (I) The shares included in any warrant shall be transferred by the delivery of the warrant without any written transfer and without registration, and with respect to such warrant and any shares included in such warrant the provisions hereinafter contained with reference to the transfer and transmission of shares not apply.
- (J) Upon the surrender of his warrant together with the outstanding dividend coupons, if any, in respect thereof to the company for cancellation, the bearer of a warrant shall be entitled to have his name entered as a member in the register in respect of the shares included in the warrant, but the company shall in no case be responsible for any loss or damage incurred by any person by reason of the company entering in its register upon the surrender of a warrant the name of any person not the true and lawful owner of the warrant surrendered.

#### **18. Share Certificates Sent at Holder's Risk**

Every share certificate will be sent at the risk of the member or other person entitled to the certificate. The company will not be responsible for any share certificate which is lost or delayed in the course of delivery.

#### **19. Company's Lien on Shares Not Fully Paid**

The company has a lien on all partly paid shares. This lien has priority over claims of others to the shares. The lien is for any money owed to the company for the shares. The directors can decide to give up any lien which has arisen and can also decide to suspend any lien which would otherwise apply to particular shares.

#### **20. Enforcing Lien by Sale**

If a shareholder fails to pay the company any amount due on his partly paid shares, the directors can enforce the company's lien by selling all or any of them in any way they decide. The directors cannot, however, sell the shares until all the following conditions are met:

- (i) the money owed by the shareholder must be payable immediately;
- (ii) the directors must have given notice to the shareholder. The notice must state the amount of money due, it must demand payment of this sum and state that the shareholders' shares may be sold if the money is not paid;
- (iii) the notice must have been served on the shareholder or on any person who is entitled to the shares by law and can be served in any way that the directors decide; and
- (iv) the money has not been paid by at least 14 clear days after the notice has been served.

The directors can authorise any person to sign a document transferring the shares. Any such transferee will not be bound to ensure that his purchase moneys are transferred to the person whose shares have been sold, nor will his ownership of the shares be affected by any irregularity or invalidity in relation to the sale to him.

## **21. Application of Proceeds of Sale**

If the directors sell any shares on which the company has a lien, the proceeds will first be used to pay the company's expenses associated with the sale. The remaining money will be used to pay off the amount which is then payable on the shares and any balance will be passed to the former shareholder or to any person who would otherwise be entitled to the shares by law. But the company's lien will also apply to any such balance to cover any money still due to the company in respect of the shares which is not immediately payable. The company has the same rights over the money as it had over the shares immediately before they were sold. The company need not pay over anything until the certificate representing the shares sold has been delivered to the company for cancellation.

## **22. Calls**

The directors can call on shareholders to pay any money which has not yet been paid to the company for their shares. This includes the nominal value of the shares and any premium which may be payable on those shares. The directors can also make calls on people who are entitled to shares by law. If the terms of issue of the shares allow this, the directors can do any one or more of the following:

- (i) make calls at any time and as often as they think fit;
- (ii) decide when and where the money is to be paid;
- (iii) decide that the money may be paid by instalments;
- (iv) revoke or postpone any call.

A shareholder who has received at least 14 clear days' notice giving details of the amount called and of the time and place for payment, must pay the call as required by the notice. A person remains liable jointly and severally with the successors in title to his shares to pay calls even after he has transferred the shares to which they relate.

**23. Timing of Calls**

A call is treated as having been made as soon as the directors have passed a resolution authorising it.

**24. Liability of Joint Holders**

Joint shareholders are jointly and severally liable to pay any calls in respect of their shares. This means that any of them can be sued for all the money due on the shares or they can be sued together.

**25. Interest Due on Non-Payment**

Where a call is made and the money due remains unpaid, the shareholder will be liable to pay interest on the amount unpaid from the day it is due until it has actually been paid. The directors will decide on the annual rate of interest, which must not exceed the Bank of England base rate by more than five per cent. The shareholder will also be liable to pay all expenses incurred by the company as a result of the non-payment of the call. The directors can decide to forego payment of any or all of such interest or expenses.

**26. Sums Due on Allotment Treated as Calls**

If the terms of a share require any money to be paid at the time of allotment, or at any other fixed date, the money due will be treated in the same way as a valid call for money on shares which is due on the same date. If this money is not paid, everything in these articles relating to non-payment of calls applies. This includes articles which allow the company to forfeit or sell shares and to claim interest.

**27. Power to Differentiate**

On or before an issue of shares, the directors can decide that shareholders can be called on to pay different amounts or that they can be called on at different times.

**28. Payment of Calls in Advance**

The directors can accept payment in advance of some or all of the money from a shareholder before he is called on to pay that money. The directors can agree to pay interest on money paid in advance until it would otherwise be due to the company. The rate of interest will be decided by the directors, but must not exceed the Bank of England base rate by more than five per cent. unless the company passes an ordinary resolution to allow a higher rate.

**29. Notice if Call or Instalment Not Paid**

If a shareholder fails to pay a call or an instalment of a call when due, the directors can send the shareholder a notice requiring payment of the unpaid amount, together with any interest accrued and any expenses incurred by the company as a result of the failure to pay.

**30. Form of Notice**

This notice must:

- (i) demand payment of the amount immediately payable, plus any interest and expenses;
- (ii) give the date by when the total amount due must be paid. This must be at least 14 clear days after the date of the notice;
- (iii) say where the payment must be made; and
- (iv) say that if the full amount demanded is not paid by the time and at the place stated, the company can forfeit the shares on which the call or instalment is outstanding.

**31. Forfeiture for Non-Compliance with Notice**

If the notice is not complied with, the shares it relates to can be forfeited at any time while any amount is still outstanding. This is done by the directors passing a resolution stating that the shares have been forfeited. The forfeiture will extend to all dividends and other sums payable in respect of the forfeited shares which have not been paid before the forfeiture. The directors can accept the surrender of any share which would otherwise be forfeited. Where they do so, references in these articles to forfeiture include surrender.

**32. Notice after Forfeiture**

After a share has been forfeited, the company will notify the person whose share has been forfeited. However, the share will still be forfeited even if such notice is not given.

**33. Sale of Forfeited Shares**

- (A) A forfeited share becomes the property of the company and the directors can sell or dispose of it on any terms and in any way that they decide. This can be with, or without, a credit for any amount previously paid up for the share. It can be sold or disposed of to any person, including the previous shareholder or the person who was previously entitled to the share by law. The directors can, if necessary, authorise any person to transfer a forfeited share.



- (B) After a share has been forfeited, the directors can cancel the forfeiture, but only before the share has been sold or disposed of. This cancellation of forfeiture can be on any terms the directors decide.

#### **34. Arrears to be Paid Notwithstanding Forfeiture**

When a person's shares have been forfeited, he will lose all rights as shareholder in respect of those forfeited shares. He must return any share certificate for the forfeited shares to the company for cancellation. However, he will remain liable to pay calls which have been made, but not paid, before the shares were forfeited. The shareholder also continues to be liable for all claims and demands which the company could have made relating to the forfeited share. He must pay interest on any unpaid amount until it is paid. The directors can fix the rate of interest, but it must not exceed the Bank of England base rate by more than five per cent. He is not entitled to any credit for the value of the share when it was forfeited or for any consideration received on its disposal unless the directors decide to allow credit for all or any of that value.

#### **35. Statutory Declaration as to Forfeiture**

- (A) A director or the secretary can make a statutory declaration declaring:
- (i) that he is a director or the secretary of the company;
  - (ii) that a share has been properly forfeited under the articles; and
  - (iii) when the share was forfeited.

The declaration will be evidence of these facts which cannot be disputed.

- (B) If such a declaration is delivered to a new holder of a share along with a completed transfer form (if one is required), this gives the buyer good title. The new shareholder does not need to take any steps to see how any money paid for the share is used. His ownership of the share will not be affected if the steps taken to forfeit, sell or dispose of the share were invalid or irregular, or if anything that should have been done was not done.

#### **36. Transfer**

- (A) Certificated shares

Unless these articles say otherwise, any shareholder can transfer some or all of his certificated shares to another person. A transfer of certificated shares must be made in writing and either in the usual standard form or in any other form approved by the directors.

- (B) CREST shares

Unless these articles say otherwise, any shareholder can transfer some or all of his CREST shares to another person. A transfer of CREST shares must be made through CREST and must comply with the uncertificated securities rules.

## (C) Entry on register

The person making a transfer will continue to be treated as a shareholder until the name of the person to whom the share is being transferred is put on the register for that share.

**37. Signing of Transfer**

- (A) A share transfer form for certificated shares must be signed or made effective in some other way by, or on behalf of, the person making the transfer.
- (B) In the case of a transfer of a certificated share, where the share is not fully paid, the share transfer form must also be signed or made effective in some other way by, or on behalf of, the person to whom the share is being transferred.
- (C) If the company registers a transfer of a certificated share, it can keep the transfer form.

**38. Rights to Decline Registration of Partly Paid Shares**

The directors can refuse to register the transfer of any shares which are not fully paid.

**39. Other Rights to Decline Registration**

- (A) Certificated shares
  - (i) A share transfer form cannot be used to transfer more than one class of shares. Each class needs a separate form.
  - (ii) Transfers cannot be in favour of more than four joint holders.
  - (iii) The share transfer form must be properly stamped to show payment of any applicable stamp duty or certified or otherwise shown to the satisfaction of the directors to be exempt from stamp duty and must be delivered to the office, or any other place decided on by the directors. The transfer form must be accompanied by the share certificate relating to the shares being transferred, unless the transfer is being made by a person to whom the company was not required to, and did not send, a certificate. The directors can also ask (acting reasonably) for any other evidence to show that the person wishing to transfer the share is entitled to do so and, if the share transfer form is signed by another person on behalf of the person making the transfer, evidence of the authority of that person to do so.

**(B) CREST shares**

- (i) Registration of a transfer of CREST shares can be refused in the circumstances set out in the uncertificated securities rules.
- (ii) Transfers cannot be in favour of more than four joint holders.

**(C) Renunciations**

Where a share has not yet been entered on the register, the directors can recognise a renunciation by that person of his right to the share in favour of some other person. Such renunciation will be treated as a transfer and the directors have the same powers of refusing to give effect to such a renunciation as if it were a transfer.

**40. No Fee for Registration**

No fee is payable to the company for transferring shares or registering changes relating to the ownership of shares.

**41. Untraced Shareholders**

(A) The company can sell any certificated shares at the best price reasonably obtainable at the time of the sale if:

- (i) during the 12 years before the earliest of the notices referred to in (ii) below, the shares have been in issue either as certificated shares or as CREST shares, at least three cash dividends have become payable on the shares and no dividend has been cashed during that period;
- (ii) after the 12 year period, the company has published a notice, stating that it intends to sell the shares. The notice must have appeared in a national newspaper in the United Kingdom and in a local newspaper appearing in the area in the United Kingdom which includes the postal address held by the company for serving notices relating to those shares; and
- (iii) during the 12 year period and for three months after the last of the notices referred to in (ii) above appear, the company has not heard from the shareholder or any person entitled to the shares by law.

(B) The company can also sell at the best price reasonably obtainable at the time of the sale any additional certificated shares in the company issued either as certificated shares or as CREST shares during the said 12 year period referred to in paragraph (A)(i) in right of any share to which paragraph (A) applies (or in right of any share so issued), if the criteria in paragraph (A)(ii) and (iii) are satisfied in relation to the additional shares (but as if the words “after the 12 year period” were omitted from paragraph (A)(ii) and the words “during the 12 year period and” were omitted from paragraph (A)(iii)) and no dividend has been cashed on these shares.

- (C) To sell any shares in this way, the directors can appoint anyone to transfer the shares. This transfer will be just as effective as if it had been signed by the holder, or by a person who is entitled to the shares by law. The person to whom the shares are transferred will not be bound to concern himself as to what is done with the purchase moneys nor will his ownership be affected even if the sale is irregular or invalid in any way.
- (D) The proceeds of sale will belong to the company, but it must pay an amount equal to the sale proceeds less the costs of the sale to the shareholder who could not be traced, or to the person who is entitled to his shares by law, if that shareholder, or person, asks for it.
- (E) After the sale, the company must record the name of the shareholder, or (if known) the person who would have been entitled to the shares by law, as a creditor for the money in its accounts. The company will not be a trustee of the money and will not be liable to pay interest on it. The company can use the money, and any money earned by using the money, for its business or in any other way that the directors decide.

#### **42. Transmission on Death**

- (A) When a sole shareholder or a shareholder who is the last survivor of joint shareholders dies, his personal representatives will be the only people who will be recognised as being entitled to his shares.
- (B) If a joint shareholder dies, the surviving joint shareholder or shareholders will be the only people who will be recognised as being entitled to his shares.
- (C) However, this article does not discharge the estate of any shareholder from any liability.

#### **43. Entry of Transmission in Register**

A person who becomes entitled to a share as a result of the death or bankruptcy of a shareholder or some other event which gives rise to the transmission of the share by operation of law must provide any evidence of his entitlement which is reasonably required. In the case of certificated shares, the directors must note this entitlement in the register within two months of receiving such evidence.

#### **44. Election of Person Entitled by Transmission**

- (A) Subject to these articles, a person who becomes entitled to a share by law can either be registered as the shareholder or choose another person to become the shareholder.
- (B) If a person who is entitled to a certificated share by law wants to be registered as a shareholder, he must deliver or send a notice to the company saying that he has made this decision. This notice will be treated as a transfer form. All the provisions of these articles about registering

transfers of certificated shares apply to it. The directors have the same power to refuse to register a person entitled to certificated shares by law as they would have had to refuse to register a transfer by the person who was previously entitled to the shares.

- (C) If a person entitled to a CREST share by law wants to be registered as a shareholder, he must do so in accordance with the uncertificated securities rules. All the provisions of these articles about registering transfers of CREST shares will apply and the same power to refuse to register a person entitled to a CREST share by law will apply as would have applied to refuse to register a transfer by the person who was previously entitled to the shares.
- (D) If a person who is entitled to a certificated share by law wants the share to be transferred to another person, he must do this by signing a transfer form to the person he has selected. The directors have the same power to refuse to register the person selected as they would have had to refuse to register a transfer by the person who was previously entitled to the shares.
- (E) If a person who is entitled to a CREST share by law wants the share to be transferred to another person, he must do this using CREST. The same power to refuse to register the person selected will apply as would have applied to refuse to register a transfer by the person who was previously entitled to the shares.

#### **45. Rights of Person Entitled by Transmission**

- (A) Where a person becomes entitled to a share by law, the rights of the registered shareholder in relation to that share will cease to have effect.
- (B) A person who is entitled to a share by law is entitled to any dividends or other money relating to the share, even though he is not registered as the holder of the share, on supplying evidence reasonably required to show his title to the share. However, the directors can send written notice to the person saying the person must either be registered as the holder of the share or transfer the share to some other person. If the person entitled to a share by law does not do this within 60 days of the notice, the directors can withhold all dividends or other money relating to the share until he does.
- (C) Unless he is registered as the holder of the share, the person entitled to a share by law is not entitled to:
  - (i) receive notices of shareholders' meetings or attend or vote at these meetings; or
  - (ii) exercise any of the other rights of a shareholder in relation to these meetings,
 unless the directors decide to allow this.

**46. Increase, Consolidation, Sub-Division and Cancellation**

- (A) The company's shareholders can increase the company's share capital by passing an ordinary resolution. This resolution will fix the amount of the increase and the amount of the new shares.
- (B) The company's shareholders can pass an ordinary resolution to do any of the following:
- (i) consolidate, or consolidate and then divide, all or any of its share capital into shares of a larger amount than the existing shares;
  - (ii) divide some or all of its shares into shares of a smaller amount than the existing shares. This is subject to any restrictions in the legislation. The resolution can provide that, as between the holders of the divided shares, different rights and restrictions of a kind which the company can apply to new shares can apply to different divided shares; and
  - (iii) cancel any shares which have not been taken, or agreed to be taken, by anyone at the date of the resolution and reduce the amount of the company's share capital by the amount of the cancelled shares.

**47. Fractions**

If any shares are consolidated, consolidated and then divided or divided, the directors have power to deal with any fractions of shares which result. For example, they can decide that fractions are ignored or that fractions are aggregated and sold or deal with fractions in some other way. The directors can arrange for any shares representing fractions to be entered in the register as certificated shares if they consider that this makes it easier to sell them. The directors can sell those shares to anyone, including the company, and can authorise any person to transfer or deliver the shares to the buyer or in accordance with the buyer's instructions. The buyer does not have to take any steps to see how any money he is paying is used and his ownership will not be affected if the sale is irregular or invalid in any way.

**48. Reduction of Capital**

The company can pass a special resolution to reduce its share capital, any capital redemption reserve, any share premium account or any other undistributable reserve in any way. This is subject to any restrictions under the legislation.

**49. Omission or Non-Receipt of Notice**

- (A) If any notice, document or other information relating to any meeting or other proceeding is accidentally not sent or supplied, or is not received (even if the company becomes aware of such non-receipt), the meeting or other proceeding will not be invalid as a result.

- (B) A shareholder present in person or by proxy at a shareholders' meeting is treated as having received proper notice of that meeting and, where necessary, of the purpose of that meeting.

#### **50. Postponement of General Meetings**

If the directors consider that it is impracticable or undesirable to hold a general meeting on the date or at the time or place stated in the notice calling the meeting, they can move or postpone the meeting (or do both). If the directors do this, an announcement of the date, time and place of the rearranged meeting will, if practicable, be published in at least two national newspapers in the United Kingdom. Notice of the business of the meeting does not need to be given again. The directors must take reasonable steps to ensure that any shareholder trying to attend the meeting at the original time and place is informed of the new arrangements. If a meeting is rearranged in this way, proxy forms are valid if they are received as required by these articles not less than 48 hours before the time of the rearranged meeting. The directors can also move or postpone the rearranged meeting (or do both) under this article.

#### **51. Quorum**

Before a general meeting starts to do business, there must be a quorum present. Unless these articles say otherwise, a quorum for all purposes is two people who are entitled to vote. They can be shareholders who are personally present or proxies for shareholders or a combination of both. If a quorum is not present, a chairman of the meeting can still be chosen and this will not be treated as part of the business of the meeting.

#### **52. Procedure if Quorum Not Present**

- (A) This article applies if a quorum is not present within five minutes of the time fixed for a general meeting to start or within any longer period not exceeding one hour which the chairman of the meeting can decide or if a quorum ceases to be present during a general meeting.
- (B) If the meeting was called by shareholders it will be cancelled. Any other meeting will be adjourned to any day (being not less than three nor more than 28 days later), time and place stated in the notice of meeting. If the notice does not provide for this, the meeting shall be adjourned to a day (being not less than ten nor more than 28 days later), time and place decided on by the chairman of the meeting and in this case the company will give not less than seven clear days' written notice of the adjourned meeting.
- (C) One shareholder present in person or by proxy and entitled to vote will constitute a quorum at any adjourned meeting and any notice of an adjourned meeting will say this.

#### **53. Security Arrangements**

The directors can put in place arrangements, both before and during any general meeting, which they consider to be appropriate for the proper and orderly conduct of the general meeting and the safety of people attending it.

This authority includes power to refuse entry to, or remove from meetings, people who fail to comply with the arrangements.

#### **54. Chairman of General Meeting**

- (A) The chairman will be the chairman of the meeting at every general meeting, if he is willing and able to take the chair.
- (B) If the company does not have a chairman, or if he is not willing and able to take the chair, a deputy chairman will chair the meeting if he is willing and able to take the chair. If more than one deputy chairman is present they will agree between themselves who will take the chair and if they cannot agree, the deputy chairman who has been a director longest will take the chair.
- (C) If the company does not have a chairman or a deputy chairman, or if neither the chairman nor a deputy chairman is willing and able to chair the meeting, after waiting five minutes from the time that a meeting is due to start, the directors who are present will choose one of themselves to act as chairman of the meeting. If there is only one director present, he will be the chairman of the meeting, if he agrees.
- (D) If there is no director willing and able to be the chairman of the meeting, then the persons who are present at the meeting and entitled to vote will decide which one of them is to be the chairman of the meeting.
- (E) Nothing in these articles is intended to restrict or exclude any of the powers or rights of a chairman of a meeting which are given by law.

#### **55. Orderly Conduct**

The chairman of a meeting can take any action he considers appropriate for proper and orderly conduct at a general meeting. The chairman's decision on points of order, matters of procedure or on matters that arise incidentally from the business of a meeting is final, as is the chairman's decision on whether a point or matter is of this nature.

#### **56. Entitlement to Attend and Speak**

Each director can attend and speak at any general meeting of the company. The chairman of a meeting can also allow anyone to attend and speak where he considers that this will help the business of the meeting.

#### **57. Adjournments**

- (A) The chairman of a meeting can adjourn the meeting before or after it has started, and whether or not a quorum is present, if he considers that:
  - (i) there is not enough room for the number of shareholders and proxies who can and wish to attend the meeting;



- (ii) the behaviour of anyone present prevents, or is likely to prevent, the business of the meeting being carried out in an orderly way; or
- (iii) an adjournment is necessary for any other reason, so that the business of the meeting can be properly carried out.

The chairman of the meeting does not need the consent of the meeting to adjourn it for any of these reasons to a time, date and place which he decides. He can also adjourn the meeting to a later time on the same day or indefinitely. If a meeting is adjourned indefinitely, the directors will fix the time, date and place of the adjourned meeting.

- (B) The chairman of a meeting can also adjourn a meeting which has a quorum present if this is agreed by the meeting. This can be to a time, date and place proposed by the chairman of the meeting or the adjournment can be indefinite. The chairman of the meeting must adjourn the meeting if the meeting directs him to. In these circumstances the meeting will decide how long the adjournment will be and where it will adjourn to. If a meeting is adjourned indefinitely, the directors will fix the time, date and place of the adjourned meeting.
- (C) A reconvened meeting can only deal with business that could have been dealt with at the meeting which was adjourned.
- (D) Meetings can be adjourned more than once.

#### **58. Notice of Adjournment**

If the continuation of an adjourned meeting is to take place three months or more after it was adjourned, notice of the adjourned meeting must be given in the same way as was required for the original meeting. Except where these articles require it, there is no need to give notice of the adjourned meeting or of the business to be considered there.

#### **59. Arrangements for simultaneous attendance**

In the case of any general meeting the board may, notwithstanding the specification in the notice of the place of the general meeting (the "**Principal Place**") at which the chairman of the meeting shall preside, make arrangements for simultaneous attendance and participation at other places by members and proxies entitled to attend the general meeting but excluded from the Principal Place under the provisions of this and/or the following two articles.

#### **60. Arrangements regarding level of attendance**

Such arrangements for simultaneous attendance at the meeting may include arrangements regarding the level of attendance as aforesaid at the other places provided that they shall operate so that any members and proxies excluded from attendance at the Principal Place are able to attend at one of the other places.

**61. Arrangements for place of attendance**

The board may, for the purpose of facilitating the organisation and administration of any general meeting to which such arrangements apply, from time to time make arrangements, whether involving the issue of tickets (on a basis intended to afford to all members and proxies entitled to attend the meeting an equal opportunity of being admitted to the Principal Place) or the imposition of some random means of selection or otherwise as it shall in its absolute discretion consider to be appropriate, and may from time to time vary any such arrangements or make new arrangements in their place and the entitlement of any member or proxy to attend a general meeting at the Principal Place shall be subject to such arrangements as may then be in force whether stated in the notice of the meeting to apply to that meeting or notified to the members concerned subsequent to the provision of the notice of the meeting.

**62. Amendments to Resolutions**

- (A) Amendments can be proposed to any resolution if they are clerical amendments or amendments to correct some other obvious error in the resolution. No other amendments can be proposed to any special resolution.
- (B) Amendments to an ordinary resolution which are within the scope of the resolution can be proposed if:
- (i) notice of the proposed amendment has been received by the company at least two working days before the date of the meeting, or adjourned meeting; or
  - (ii) the chairman of the meeting decides that the amendment is appropriate for consideration by the meeting.

No other amendment can be proposed to an ordinary resolution. The chairman of the meeting can agree to the withdrawal of any proposed amendment before it is put to the vote.

**63. Amendments Ruled Out of Order**

If the chairman of a meeting rules that a proposed amendment to any resolution under consideration is out of order, any error in that ruling will not affect the validity of a vote on the original resolution.

**64. Votes of Members**

Shareholders who are present at a general meeting and duly appointed proxies present at a general meeting can vote on a show of hands. They will have one vote each. On a poll, every shareholder present in person or by proxy will have one vote for every share he holds. This is subject to any special rights or restrictions as to voting which are given to any shares or upon which any shares may be held at the relevant time and to these articles. If a shareholder votes on a poll, he does not have to use all of his votes or cast all his votes in the same way.

**65. Method of Voting**

A resolution put to the vote at any general meeting will be decided on a show of hands unless a poll is demanded when, or before, the chairman of the meeting declares the result of the show of hands. Subject to the legislation, a poll can be demanded by:

- (i) the chairman of the meeting;
- (ii) at least five persons at the meeting who are entitled to vote;
- (iii) one or more shareholders at the meeting who are entitled to vote (or their proxies) and who have between them at least ten per cent. of the total votes of all shareholders who have the right to vote at the meeting; or
- (iv) one or more shareholders at the meeting who have shares which allow them to vote at the meeting (or their proxies) and on which the total amount which has been paid up is at least ten per cent. of the total sum paid up on all shares which give the right to vote at the meeting.

The chairman of the meeting can also demand a poll before a resolution is put to the vote on a show of hands.

A demand for a poll can be withdrawn if the chairman of the meeting agrees to this.

If no poll is demanded or a demand for a poll is withdrawn, any declaration by the chairman of the meeting of the result of a vote on that resolution by a show of hands will stand as conclusive evidence of the result without proof of the number or proportion of the votes recorded for or against the resolution.

**66. Procedure if Poll Demanded**

If a poll is demanded in the way allowed by these articles, the chairman of the meeting can decide when, where and how it will be taken. The result will be treated as the decision of the meeting at which the poll was demanded, even if the poll is taken after the meeting.

**67. When Poll to be Taken**

If a poll is demanded on a vote to elect the chairman of the meeting, or to adjourn a meeting, it must be taken immediately at the meeting. Any other poll demanded can either be taken immediately or within 30 days from the date it was demanded and at a time and place decided on by the chairman of the meeting. It is not necessary to give notice for a poll which is not taken immediately.

**68. Continuance of Other Business after Poll Demand**

A demand for a poll on a particular matter (other than on the election of the chairman of the meeting or on the adjournment of the meeting) will not stop a meeting from continuing to deal with other matters.

**69. Votes of Joint Holders**

If more than one joint shareholder votes (including voting by proxy), the only vote which will count is the vote of the person whose name is listed before the other voters on the register for the share.

**70. Voting on behalf of Incapable Member**

This article applies where a court or official claiming jurisdiction to protect people who are unable to manage their own affairs has made an order about the shareholder. The person appointed to act for that shareholder can vote for him. He can also exercise any other rights of the shareholder relating to meetings. This includes appointing a proxy, voting on a show of hands and voting on a poll. Before the representative does so however, such evidence of his authority as the directors require must be received by the company not later than the latest time at which proxy forms must be received to be valid for use at the relevant meeting or on the holding of the relevant poll.

**71. No Right to Vote where Sums Overdue on Shares**

Unless the directors decide otherwise, a shareholder cannot attend or vote shares at any general meeting of the company or upon a poll or exercise any other right conferred by membership in relation to general meetings or polls if he has not paid all amounts relating to those shares which are due at the time of the meeting.

**72. Objections or Errors in Voting**

If:

- (i) any objection to the right of any person to vote is made;
- (ii) any votes have been counted which ought not to have been counted or which might have been rejected; or
- (iii) any votes are not counted which ought to have been counted,

the objection or error must be raised or pointed out at the meeting (or the adjourned meeting) or poll at which the vote objected to is cast or at which the error occurs. Any objection or error must be raised with or pointed out to the chairman of the meeting. His decision is final. If a vote is allowed at a meeting or poll, it is valid for all purposes and if a vote is not counted at a meeting or poll, this will not affect the decision of the meeting or poll.

**73. Appointment of Proxies**

A proxy form must be in writing, signed by the shareholder appointing the proxy, or by his attorney. Where the proxy is appointed by a company, the

proxy form should either be sealed by that company or signed by someone authorised to sign it. A shareholder can appoint more than one proxy to attend on the same occasion. If a shareholder appoints more than one proxy, he must specify the number of shares in relation to which each proxy is appointed and each proxy will only be entitled to exercise voting rights in relation to the number of shares for which he is appointed. If a shareholder appoints more than one proxy, he must ensure that no more than one proxy is appointed in relation to any share.

#### **74. Receipt of Proxies**

(A) Proxy forms which are in hard copy form must be received at the office, or at any other place specified by the company for the receipt of appointments of proxy in hard copy form:

- (i) 48 hours (or such shorter time as the directors decide) before a meeting or an adjourned meeting;
- (ii) 24 hours (or such shorter time as the directors decide) before a poll is taken, if the poll is taken more than 48 hours after it was demanded; or
- (iii) before the end of the meeting at which the poll was demanded (or at such later time as the directors decide), if the poll is taken after the end of the meeting or adjourned meeting but 48 hours or less after it was demanded.

If such a proxy form is signed by an attorney and the directors require this, the power of attorney or other authority relied on to sign it (or a copy which has been certified by a notary or in some other way approved by the directors, or an office copy) must be received with the proxy form.

(B) Proxy forms which are in electronic form must be received at the address specified by the company for the receipt of appointments of proxy by electronic means at least:

- (i) 48 hours (or such shorter time as the directors decide) before a meeting or an adjourned meeting;
- (ii) 24 hours (or such shorter time as the directors decide) before a poll is taken, if the poll is taken more than 48 hours after it was demanded; or
- (iii) before the end of the meeting at which the poll was demanded (or at such later time as the directors decide), if the poll is taken after the end of the meeting or adjourned meeting but 48 hours or less after it was demanded.

If such a proxy form is signed by an attorney and the directors require this, the power of attorney or other authority relied on to sign it (or a copy which has been certified by a notary or in some other way approved by the directors, or an office copy) must be received at such address, at the office

or at any other place specified by the company for the receipt of such documents by the time set out in paragraph (i) or (ii) or (iii) above, as applicable.

- (C) If the above requirements are not complied with, the proxy will not be able to act for the person who appointed him.
- (D) If more than one valid proxy form is received in respect of the same share for use at the same meeting or poll, the one which is received last (regardless of its date or the date on which it is signed) will be treated as the valid form. If it is not possible to determine the order of receipt, none of the forms will be treated as valid.
- (E) A shareholder can attend and vote at a general meeting or on a poll even if he has appointed a proxy to attend and, on a poll, vote on his behalf at that meeting or on that poll.
- (F) The proceedings at a general meeting will not be invalidated where an appointment of a proxy in respect of that meeting is sent in electronic form as provided in these articles, but because of a technical problem it cannot be read by the recipient.
- (G) When calculating the periods mentioned in this article, the directors can decide not to take account of any part of a day that is not a working day.

#### **75. Maximum Validity of Proxy**

A proxy form will cease to be valid 12 months from the date of its receipt. But it will be valid, unless the proxy form itself states otherwise, if it is used at an adjourned meeting or on a poll after a meeting or an adjourned meeting even after 12 months, if it was valid for the original meeting.

#### **76. Form of Proxy**

A proxy form can be in any form which the directors approve. A proxy form gives the proxy the authority to demand a poll or to join others in demanding a poll and to vote on any amendment to a resolution put to, or any other business which may properly come before, the meeting. Unless it says otherwise, a proxy form is valid for the meeting to which it relates and also for any adjournment of that meeting.

#### **77. Cancellation of Proxy's Authority**

Any vote cast in the way a proxy form authorises or any demand for a poll made by a proxy will be valid even though:

- (i) the person who appointed the proxy has died or is of unsound mind;
- (ii) the proxy form has been revoked; or
- (iii) the authority of the person who signed the proxy form for the shareholder has been revoked.

Any vote cast or poll demanded by a company representative will also be valid even though his authority has been revoked. However, this does not apply if written notice of the relevant fact has been received at the office (or at any other place specified by the company for the receipt proxy forms) not later than the last time at which a proxy form should have been received to be valid for use at the meeting or on the holding of the poll at which the vote was given or the poll taken.

**78. Separate General Meetings**

If a separate general meeting of holders of shares of a class is called otherwise than for changing or abrogating the rights of the shares of that class, the provisions of these articles relating to general meetings will apply to such a meeting with any necessary changes. A general meeting where ordinary shareholders are the only shareholders who can attend and vote in their capacity as shareholders will also constitute a separate general meeting of the holders of the ordinary shares.

**79. Number of Directors**

The company must have a minimum of two directors and a maximum of 20 directors (disregarding alternate directors). But the shareholders can change this restriction by passing an ordinary resolution.

**80. Directors' Shareholding Qualification**

The directors are not required to hold any shares in the company.

**81. Power of Company to Appoint Directors**

Subject to these articles, the company can, by passing an ordinary resolution, appoint any willing person to be a director, either as an extra director or to fill a vacancy where a director has stopped being a director for some reason.

**82. Power of Directors to Appoint Directors**

Subject to these articles, the directors can appoint any willing person to be a director, either as an extra director or as a replacement for another director. Any director appointed in this way must retire from office at the first annual general meeting after his appointment. A director who retires in this way is then eligible for re-appointment.

**83. Retirement of Directors by Rotation**

(A) At every annual general meeting the following directors shall retire from office:

- (i) any director who has been appointed by the directors since the last annual general meeting, and
- (ii) any director who held office at the time of the two preceding annual general meetings and who did not retire at either of them, and

(iii) any director who has been in office, other than as a director holding an executive position, for a continuous period of nine years or more at the date of the meeting.

(B) Any director who retires at an annual general meeting may offer himself for re-appointment by the shareholders.

#### **84. Filling Vacancies**

Subject to these articles, at the general meeting at which a director retires, shareholders can pass an ordinary resolution to re-appoint the director or to appoint some other eligible person in his place.

#### **85. Power of Removal by Special Resolution**

In addition to any power to remove directors conferred by the legislation, the company can pass a special resolution to remove a director from office even though his time in office has not ended and can (subject to these articles) appoint a person to replace a director who has been removed in this way by passing an ordinary resolution.

#### **86. Persons Eligible as Directors**

The only people who can be appointed as directors at a general meeting are the following:

- (i) directors retiring at the meeting;
- (ii) anyone recommended by the directors; and
- (iii) anyone nominated by a shareholder (not being the person to be nominated) in the following way:

The shareholder must be entitled to vote at the meeting. He must deliver to the office not less than seven nor more than 42 days before the day of the meeting:

- (a) a letter stating that he intends to nominate another person for appointment as a director; and
- (b) written confirmation from that person that he is willing to be appointed.

#### **87. Position of Retiring Directors**

A director retiring at a general meeting retires at the end of that meeting or (if earlier) when a resolution is passed to appoint another person in the director's place or when a resolution to re-appoint the director is put to the meeting and lost. Where a retiring director is re-appointed, he continues as a director without a break.



**88. Vacation of Office by Directors**

Any director automatically stops being a director if:

- (i) he gives the company a written notice of resignation;
- (ii) he gives the company a written notice in which he offers to resign and the directors decide to accept this offer;
- (iii) all of the other directors (who must comprise at least three people) pass a resolution or sign a written notice requiring the director to resign;
- (iv) he is or has been suffering from mental ill health and the directors pass a resolution removing the director from office;
- (v) he has missed directors' meetings (whether or not an alternate director appointed by him attends those meetings) for a continuous period of six months without permission from the directors and the directors pass a resolution removing the director from office;
- (vi) a bankruptcy order is made against him or he makes any arrangement or composition with his creditors generally;
- (vii) he is prohibited from being a director under the legislation; or
- (viii) he ceases to be a director under the legislation or he is removed from office under these articles.

If a director stops being a director for any reason, he will also automatically cease to be a member of any committee or sub-committee of the directors.

**89. Alternate Directors**

- (A) Any director can appoint any person (including another director) to act in his place (called an "alternate director"). That appointment requires the approval of the directors, unless previously approved by the directors or unless the appointee is another director. A director appoints an alternate director by sending a signed written notice of appointment to the office or to an address specified by the company or by tabling it at a meeting of the directors, or in such other way as the directors approve.
- (B) The appointment of an alternate director ends on the happening of any event which, if he were a director, would cause him to vacate that office. It also ends if the alternate director resigns his office by written notice to the company or if his appointor stops being a director, unless that director retires at a general meeting at which he is re-appointed. A director can also remove his alternate director by a written notice sent to the office or to an address specified by the company or tabled at a meeting of the directors.

- (C) An alternate director is entitled to receive notices of meetings of the directors. He is entitled to attend and vote as a director at any meeting at which the director appointing him is not personally present and generally at that meeting is entitled to perform all of the functions of his appointor as a director. The provisions of these articles regulating the meeting apply as if he (instead of his appointor) were a director. If he is himself a director, or he attends any meeting as an alternate director for more than one director, he can vote cumulatively for himself and for each other director he represents but he cannot be counted more than once for the purposes of the quorum. An alternate director's signature to any resolution in writing of the directors is as effective as the signature of his appointor, unless the notice of his appointment provides to the contrary. This article also applies in a similar fashion to any meeting of a committee of which his appointor is a member. Except as set out in this article, an alternate director:
- (i) does not have power to act as a director;
  - (ii) is not deemed to be a director for the purposes of these articles; and
  - (iii) is not deemed to be the agent of his appointor.
- (D) An alternate director is entitled to contract and be interested in and benefit from contracts, transactions or arrangements and to be repaid expenses and to be indemnified by the company to the same extent as if he were a director. However, he is not entitled to receive from the company as an alternate director any pay, except for that part (if any) of the pay otherwise payable to his appointor as his appointor may tell the company in writing to pay to his alternate director.

#### **90. Executive Directors**

- (A) The directors or any committee authorised by the directors can appoint one or more directors to any executive position, on such terms and for such period as they think fit. They can also terminate or vary an appointment at any time. The directors or any committee authorised by the directors will decide how much remuneration a director appointed to an executive office will receive (whether as salary, commission, profit share or any other form of remuneration) and whether this is in addition to or in place of his fees as a director.
- (B) If the directors terminate the appointment, the termination will not affect any right of the company or the director in relation to any breach of any employment contract which may be involved in the termination.

#### **91. Directors' Fees**

- (A) The total fees paid to all of the directors (excluding any payments made under any other provision of these articles) must not exceed:

- (i) £1,500,000 a year; or
- (ii) any higher sum decided on by an ordinary resolution at a general meeting.

It is for the directors to decide how much to pay each director by way of fees under this article.

## **92. Additional Remuneration**

The directors or any committee authorised by the directors can award extra fees to any director who, in their view, performs any special or extra services for the company. Extra fees can take the form of salary, commission, profit-sharing or other benefits (and can be paid partly in one way and partly in another). This is all decided by the directors or any committee authorised by the directors.

## **93. Expenses**

The company can pay the reasonable travel, hotel and incidental expenses of each director incurred in attending and returning from general meetings, meetings of the directors or committees of the directors or any other meetings which as a director he is entitled to attend. The company will pay all other expenses properly and reasonably incurred by each director in connection with the company's business or in the performance of his duties as a director. The company can also fund a director's expenditure and that of a director of any holding company of the company for the purposes permitted by the legislation and can do anything to enable a director or a director of any holding company of the company to avoid incurring such expenditure all as provided in the legislation.

## **94. Pensions and Gratuities for Directors**

- (A) The directors or any committee authorised by the directors can decide whether to provide pensions, annual payments or other benefits to any director or former director of the company, or any relation or dependant of, or person connected to, such a person. The directors can also decide to contribute to a scheme or fund or to pay premiums to a third party for these purposes. The company can only provide pensions and other benefits to people who are or were directors but who have not been employed by, or held an office or executive position in, the company or any of its subsidiary undertakings or former subsidiary undertakings or any predecessor in business of the company or any such other company or to relations or dependants of, or persons connected to, these directors or former directors if the shareholders approve this by passing an ordinary resolution.
- (B) A director or former director will not be accountable to the company or the shareholders for any benefit provided pursuant to this article. Anyone receiving such a benefit will not be disqualified from being or becoming a director of the company.

**95. Directors' Interests***Conflicts of interest requiring authorisation by directors*

- (A) The directors may, subject to the quorum and voting requirements set out in this article, authorise any matter which would otherwise involve a director breaching his duty under the legislation to avoid conflicts of interest ("Conflict").
- (B) A director seeking authorisation in respect of a Conflict must tell the directors of the nature and extent of his interest in a Conflict as soon as possible. The director must give the directors sufficient details of the relevant matter to enable them to decide how to address the Conflict together with any additional information which they may request.
- (C) Any director (including the relevant director) may propose that the relevant director be authorised in relation to any matter the subject of a Conflict. Such proposal and any authority given by the directors shall be effected in the same way that any other matter may be proposed to and resolved upon by the directors under the provisions of these articles except that:
  - (i) the relevant director and any other director with a similar interest will not count in the quorum and will not vote on a resolution giving such authority; and
  - (ii) the relevant director and any other director with a similar interest may, if the other directors so decide, be excluded from any meeting of the directors while the Conflict is under consideration.
- (D) Where the directors give authority in relation to a Conflict:
  - (i) they may (whether at the time of giving the authority or subsequently) (a) require that the relevant director is excluded from the receipt of information, the participation in discussion and/or the making of decisions (whether at directors' meetings or otherwise) related to the Conflict; and (b) impose upon the relevant director such other terms for the purpose of dealing with the Conflict as they think fit;
  - (ii) the relevant director will be obliged to conduct himself in accordance with any terms imposed by the directors in relation to the Conflict;
  - (iii) the directors may also provide that where the relevant director obtains (otherwise than through his position as a director of the company) information that is confidential to a third party, the director will not be obliged to disclose that information to the company, or to use or apply the information in relation to the company's affairs, where to do so would amount to a breach of that confidence;

- (iv) the terms of the authority shall be recorded in writing (but the authority shall be effective whether or not the terms are so recorded); and
- (v) the directors may revoke or vary such authority at any time but this will not affect anything done by the relevant director prior to such revocation in accordance with the terms of such authority.

*Other conflicts of interest*

- (E) If a director knows that he is in any way directly or indirectly interested in a proposed contract with the company or a contract that has been entered into by the company, he must tell the other directors of the nature and extent of that interest in accordance with the legislation.
- (F) If he has disclosed the nature and extent of his interest in accordance with paragraph (E), a director can do any one or more of the following:
  - (i) have any kind of interest in a contract with or involving the company or another company in which the company has an interest;
  - (ii) hold any other office or place of profit with the company (except that of auditor) in conjunction with his office of director for such period and upon such terms, including as to remuneration, as the directors may decide;
  - (iii) alone, or through a firm with which he is associated do paid professional work for the company or another company in which the company has an interest (other than as auditor);
  - (iv) be or become a director or other officer of, or employed by or otherwise be interested in any holding company or subsidiary company of the company or any other company in which the company has an interest; and
  - (v) be or become a director of any other company in which the company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as a director of that other company.

*Benefits*

- (G) A director does not have to hand over to the company any benefit he receives or profit he makes as a result of anything authorised under paragraph (A) or allowed under paragraph (F) nor is any type of contract authorised under paragraph (A) or allowed under paragraph (F) liable to be avoided.

*Quorum and voting requirements*

- (H) A director cannot vote or be counted in the quorum on a resolution of the directors relating to appointing that director to a position with the company or a company in which the company has an interest or the terms or the termination of the appointment.
- (I) This paragraph applies if the directors are considering proposals about appointing two or more directors to positions with the company or any company in which the company has an interest. It also applies if the directors are considering setting or changing the terms of their appointment. These proposals can be split up to deal with each director separately. If this is done, each director can vote and be included in the quorum for each resolution, except any resolution concerning him or concerning the appointment of another director to a position with a company in which the company is interested where the director has a Relevant Interest in it.
- (J) A director cannot vote or be counted in the quorum on a resolution of the directors about a contract in which he has an interest and, if he does vote, his vote will not be counted, but this prohibition will not apply to any resolution where that interest cannot reasonably be regarded as likely to give rise to a conflict of interest or where that interest is included in the following list:
- (i) a resolution about giving him any guarantee, indemnity or security for money which he or any other person has lent or obligations he or any other person has undertaken at the request of or for the benefit of the company or any of its subsidiary undertakings;
  - (ii) a resolution about giving any guarantee, indemnity or security to another person for a debt or obligation which is owed by the company or any of its subsidiary undertakings to that other person if the director has taken responsibility for some or all of that debt or obligation. The director can take this responsibility by giving a guarantee, indemnity or security;
  - (iii) a resolution about giving him any other indemnity where all other directors are also being offered indemnities on substantially the same terms;
  - (iv) a resolution about the company funding his expenditure on defending proceedings or the company doing something to enable him to avoid incurring such expenditure where all other directors are being offered substantially the same arrangements;
  - (v) a resolution relating to an offer by the company or any of its subsidiary undertakings of any shares or debentures or other securities for subscription or purchase if the director takes part because he is a holder of shares, debentures or other securities or if he takes part in the underwriting or sub-underwriting of the offer;

- (vi) a resolution about a contract in which he has an interest because of his interest in shares or debentures or other securities of the company or because of any other interest in or through the company;
  - (vii) a resolution about a contract involving any other company if the director has an interest of any kind in that company (including an interest by holding any position in that company or by being a shareholder in that company). This does not apply if he knows that he has a Relevant Interest in that company;
  - (viii) a resolution about a contract relating to a pension fund, superannuation or similar scheme or retirement, death or disability benefits scheme or employees' share scheme which gives the director benefits which are also generally given to the employees to whom the fund or scheme relates;
  - (ix) a resolution about a contract relating to an arrangement for the benefit of employees of the company or of any of its subsidiary undertakings which only gives him benefits which are also generally given to the employees to whom the arrangement relates; and
  - (x) a resolution about a contract relating to any insurance which the company can buy or renew for the benefit of directors or of a group of people which includes directors.
- (K) A director will be treated as having a Relevant Interest in a company if he holds an interest in shares representing one per cent. or more of a class of equity share capital (calculated exclusive of any shares of that class in that company held as treasury shares) or of the voting rights of that company. In relation to an alternate director, an interest of his appointor shall be treated as an interest of the alternate director without prejudice to any interest which the alternate director has otherwise. Interests which are unknown to the director and which it is unreasonable to expect him to know about are ignored.
- (L) Where a company in which a director has a Relevant Interest is interested in a contract, the director will also be treated as being interested in that contract.
- (M) Subject to these articles, the directors can exercise or arrange for the exercise of the voting rights attached to any shares in another company held by the company and the voting rights which they have as directors of that company in any way that they decide. This includes voting in favour of a resolution appointing any of them as directors or officers of that company and deciding their remuneration. Subject to these articles, they can also vote and be counted in the quorum as directors of the company in connection with any of these things.

- (N) If a question comes up at a meeting of the directors about whether a director (other than the chairman of the meeting) has an interest in a contract and whether it is likely to give rise to a conflict of interest or whether he can vote or be counted in the quorum and the director does not agree to abstain from voting on the issue or not to be counted in the quorum, the question must be referred to the chairman of the meeting. The chairman of the meeting's ruling about any other director is final and conclusive unless the nature or extent of the director's interest (so far as it is known to him) has not been fairly disclosed to the directors. If the question comes up about the chairman of the meeting, the question shall be decided by a resolution of the directors. The chairman of the meeting cannot vote on the question but can be counted in the quorum. The directors' resolution about the chairman of the meeting is conclusive, unless the nature or extent of the chairman's interest (so far as it is known to him) has not been fairly disclosed to the directors.

*General*

- (O) References in this article to
- (i) a contract include references to an existing or proposed contract and to an existing or proposed transaction or arrangement whether or not it is a contract; and
  - (ii) a conflict of interest include a conflict of interest and duty and a conflict of duties.
- (P) The company can by ordinary resolution suspend or relax the provisions of this article to any extent or ratify any contract which has not been properly authorised in accordance with this article.

**96. General Powers of Company Vested in Directors**

- (A) The directors will manage the company's business. They can use all the company's powers except where the memorandum, these articles or the legislation say that powers can only be used by the shareholders voting to do so at a general meeting. The general management powers under this article are not limited in any way by specific powers given to the directors by other articles.
- (B) The directors are, however, subject to:
- (i) the provisions of the legislation;
  - (ii) the requirements of the memorandum and these articles; and
  - (iii) any regulations laid down by the shareholders by passing a special resolution at a general meeting.



- (C) If a change is made to the memorandum or these articles or if the shareholders lay down any regulation relating to something which the directors have already done which was within their powers, that change or regulation cannot invalidate the directors' previous action.

**97. Borrowing Powers**

- (A) The directors can exercise all the company's powers:

- (i) to borrow money;
- (ii) to mortgage or charge all or any of the company's undertaking, property and assets (present and future) and uncalled capital;
- (iii) to issue debentures and other securities; and
- (iv) to give security, either outright or as collateral security, for any debt, liability or obligation of the company or of any third party.

- (B) (i) The directors must limit the borrowings of the company and exercise all voting and other rights or powers of control exercisable by the company in relation to its subsidiary undertakings so as to ensure that the total amount of the group's borrowings does not exceed 2.5 times the company's adjusted capital and reserves. This affects subsidiary undertakings only to the extent that the directors can do this by exercising these rights or powers of control.

- (ii) This limit can be exceeded if the consent of the shareholders has been given in advance by passing an ordinary resolution.

- (iii) This limit does not include any borrowings owing by one member of the group to another member of the group.

- (C) Adjusted capital and reserves

The company's adjusted capital and reserves will be established by the following calculations:

Add:

- (i) the amount paid up on the company's issued share capital (including any shares held as treasury shares); and
- (ii) the amount standing to the credit of the reserves of the company (which include any share premium account, capital redemption reserve and retained earnings),

using the figures shown on the then latest audited balance sheet.

Then:

(iii) deduct any debit balance on retained earnings at the date of the audited balance sheet (if such a deduction has not already been made),

and

(iv) make any adjustments needed to reflect any changes since the date of the audited balance sheet to the amount of paid up share capital or reserves.

(D) Borrowings

When calculating the group's borrowings, the directors will include not only borrowings but also the following (unless these have already been included in borrowings):

- (i) the amount of any issued and paid up share capital (other than equity share capital) of any subsidiary undertaking beneficially owned otherwise than by a member of the group;
- (ii) the amount of any other issued and paid up share capital and the principal amount of any debentures or borrowed moneys not beneficially owned by a member of the group where a member of the group has given a guarantee or indemnity for its redemption or repayment or where a member of the group may have to buy such share capital, debenture or borrowed money;
- (iii) the amount outstanding under any acceptance credits opened for or in favour of any member of the group;
- (iv) the principal amount of any debenture (whether secured or unsecured) issued by any member of the group which is not beneficially owned by any other member of the group;
- (v) any fixed or minimum premium payable on the final repayment of any borrowing or deemed borrowing;
- (vi) the minority proportion of moneys borrowed by a member of the group and owing to a partly-owned subsidiary undertaking.

However, the directors will not include the following items in the borrowings:

- (vii) amounts borrowed by any member of the group to repay some or all of any other borrowings of any member of the group (but this exclusion will only apply if the original debt is discharged within six months from the new borrowing);

- (viii) amounts borrowed by any member of the group to finance any contract where part of the price receivable by any member of the group is guaranteed or insured by the Export Credits Guarantee Department or any other similar government department or agency (but this exclusion will only apply up to an amount equal to the amount guaranteed or insured);
  - (ix) amounts borrowed by, or amounts secured on assets of, an undertaking which became a subsidiary undertaking of the company after the date of the last audited balance sheet (but this exclusion will only apply up to an amount equal to the amount of borrowing, or amounts secured on assets, of the undertaking at the time immediately after it became a subsidiary undertaking); or
  - (x) the minority proportion of moneys borrowed by a partly-owned subsidiary undertaking which is not owing to another member of the group.
- (E) Any foreign currency amounts will be translated into sterling when calculating total borrowings. The exchange rate applied will be the exchange rate on:
- (i) the last business day before the date of the calculation; or
  - (ii) the last business day six months before the date of the calculation,
- whichever exchange rate produces the lower figure.
- The exchange rate will be taken as the spot rate in London which is recommended by a London clearing bank (chosen by the directors for this purpose) as the most appropriate rate for buying the relevant currency for sterling on the relevant day.
- (F) If the amount of adjusted capital and reserves is being calculated in connection with a transaction involving a company becoming or ceasing to be a member of the group, the amount is to be calculated as if the transaction had already occurred.
- (G) The audited balance sheet of the company will be taken as the audited balance sheet of the company prepared for the purposes of the legislation. However, if an audited consolidated balance sheet relating to the company and its subsidiary undertakings has been prepared for the same financial year, the audited consolidated balance sheet will be used instead. In that case, all references to reserves will be taken to be references to consolidated reserves.
- (H) The company can from time to time change the accounting convention applied in the preparation of the audited balance sheet, but any new convention applied must comply with the requirements of the legislation. If the company prepares a supplementary audited balance sheet applying a

different convention from the main audited balance sheet, the main audited balance sheet will be taken as the audited balance sheet for the purposes of the calculations under these articles.

- (I) The group will be taken as the company and its subsidiary undertakings (if any).
- (J) For the purposes of this article the minority proportion means a proportion equal to the proportion of the issued share capital of a partly-owned subsidiary undertaking which does not belong to a member of the group.
- (K) A certificate or report by the company's auditors:
  - (i) as to the amount of the adjusted capital and reserves;
  - (ii) as to the amount of any borrowings; or
  - (iii) to the effect that the limit imposed by this article has not been or will not be exceeded at any particular time,
 will be conclusive evidence of that amount or that fact.

#### **98. Agents**

- (A) The directors can appoint anyone as the company's attorney by granting a power of attorney or by authorising them in some other way. Attorneys can either be appointed directly by the directors or the directors can give someone else the power to select attorneys. The directors or the persons who are authorised by them to select attorneys can decide on the purposes, powers, authorities and discretions of attorneys. But they cannot give an attorney any power, authority or discretion which the directors do not have under these articles.
- (B) The directors can decide how long a power of attorney will last for and attach any conditions to it. The power of attorney can include any provisions which the directors decide on for the protection and convenience of anybody dealing with the attorney. The power of attorney can allow the attorney to grant any or all of his power, authority or discretion to any other person.
- (C) The directors can:
  - (i) delegate any of their authority, powers or discretions to any manager or agent of the company;
  - (ii) allow managers or agents to delegate to another person;
  - (iii) remove any people they have appointed in any of these ways; and

- (iv) cancel or change anything that they have delegated, although this will not affect anybody who acts in good faith who has not had any notice of any cancellation or change.

Any appointment or delegation by the directors which is referred to in this article can be on any conditions decided on by the directors.

- (D) The ability of the directors to delegate under this article applies to all their powers and is not limited because certain articles refer to powers being exercised by the directors or by a committee authorised by the directors while other articles do not.

#### **99. Delegation to Individual Directors**

- (A) The directors can give a director any of the powers which they have jointly as directors (with power to sub-delegate). These powers can be given on terms and conditions decided on by the directors either in parallel with, or in place of, the powers of the directors acting jointly.
- (B) The directors can change the basis on which such powers are given or withdraw such powers. But if a person deals with an individual director in good faith without knowledge of the change or withdrawal, he will not be affected by it.
- (C) The ability of the directors to delegate under this article applies to all their powers and is not limited because certain articles refer to powers being exercised by the directors or by a committee authorised by the directors while other articles do not.

#### **100. Official Seals**

The directors can use all the powers given by the legislation relating to official seals.

#### **101. Registers**

The company can keep an overseas, local or other register. The directors can make and change any regulations previously made by them relating to any of such registers.

#### **102. Provision for Employees**

The directors can exercise the powers under the legislation to make provision for the benefit of employees or former employees of the company or any of its subsidiaries in connection with the cessation or transfer of the whole or part of the business of the company or that subsidiary.

#### **103. Directors' Meetings**

The directors can decide when and where to have meetings and how they will be conducted. They can also adjourn their meetings. A directors'

meeting can be called by any director. The secretary must call a directors' meeting if asked to by a director.

#### **104. Notice of Directors' Meetings**

Directors' meetings are called by giving notice to all the directors. Notice is treated as properly given if it is given personally, by word of mouth or in writing to the director's last known address or any other address given by him to the company for this purpose. Any director can waive his entitlement to notice of any directors' meeting, including one which has already taken place and any waiver after the meeting has taken place will not affect the validity of the meeting or any business conducted at the meeting.

#### **105. Quorum**

If no other quorum is fixed by the directors, two directors are a quorum. Subject to these articles, if a director ceases to be a director at a directors' meeting, he can continue to be present and to act as a director and be counted in the quorum until the end of the meeting if no other director objects and if otherwise a quorum of directors would not be present.

#### **106. Directors below Minimum through Vacancies**

The directors can continue to act even if one or more of them stops being a director. But if the number of directors falls below the minimum which applies under these articles (including any change to that minimum number approved by an ordinary resolution of shareholders), or the number fixed as the quorum for directors' meetings, the remaining director(s) may only act to:

- (i) appoint further director(s) to make up the shortfall; or
- (ii) convene general meetings.

If no director or directors are willing or able to act under this article, any two shareholders (excluding any shareholder holding shares as treasury shares) can call a general meeting to appoint extra directors(s).

#### **107. Appointment of Chairman**

- (A) The directors can appoint any director as chairman or as deputy chairman and can remove him from that office at any time. If the chairman is at a directors' meeting, he will chair it. In his absence, the chair will be taken by a deputy chairman, if one is present. If more than one deputy chairman is present, they will agree between them who should chair the meeting or, if they cannot agree, the deputy chairman longest in office as a director will take the chair. If there is no chairman or deputy chairman present within five minutes of the time when the directors' meeting is due to start, the directors who are present can choose which one of them will be the chairman of the meeting.
- (B) References in these articles to a deputy chairman include, if no one has been appointed with that title, a person appointed to a position with another

title which the directors designate as equivalent to the position of deputy chairman.

#### **108. Competence of Meetings**

A directors' meeting at which a quorum is present can exercise all the powers and discretions of the directors.

#### **109. Voting**

Matters to be decided at a directors' meeting will be decided by a majority vote. If votes are equal, the chairman of the meeting has a second, casting vote.

#### **110. Delegation to Committees**

- (A) The directors can delegate any of their powers or discretions to committees of one or more persons. If the directors have delegated any power or discretion to a committee, any references in these articles to using that power or discretion include its use by the committee. Any committee must comply with any regulations laid down by the directors. These regulations can require or allow people who are not directors to be members of the committee, and can give voting rights to such people. But:
- (i) there must be more directors on a committee than persons who are not directors; and
  - (ii) a resolution of the committee is only effective if a majority of the members of the committee present at the time of the resolution were directors.
- (B) Unless the directors decide not to allow this, any committee can sub-delegate any of its powers or discretions to sub-committees. Reference in these articles to committees include sub-committees permitted under this article.
- (C) If a committee consists of more than one person, the articles which regulate directors' meetings and their procedure will also apply to committee meetings (if they can apply to committee meetings), unless these are inconsistent with any regulations for the committee which have been laid down under this article.
- (D) The ability of the directors to delegate under this article applies to all their powers and discretions and is not limited because certain articles refer to powers and discretions being exercised by committees authorised by directors while other articles do not.

#### **111. Participation in Meetings**

All or any of the directors can take part in a meeting of the directors by way of a conference telephone or any communication equipment which allows

everybody to take part in the meeting by being able to hear each of the other people at the meeting and by being able to speak to all of them at the same time. A person taking part in this way will be treated as being present at the meeting and will be entitled to vote and be counted in the quorum.

#### **112. Resolution in Writing**

A resolution in writing must be signed by all of the directors who at the time are entitled to receive notice of a directors' meeting and who would be entitled to vote on the resolution at a directors' meeting, and who together meet the quorum requirement for directors' meetings. This kind of resolution is just as valid and effective as a resolution passed by those directors at a meeting which is properly called and held. The resolution can be passed using several copies of the resolution if each copy is signed by one or more directors.

#### **113. Validity of Acts of Directors or Committee**

Everything which is done by any directors' meeting, or by a committee of the directors, or by a person acting as a director, or as a member of a committee, will be valid even if it is discovered later that any director, or person acting as a director, was not properly appointed. This also applies if it is discovered later that anyone was disqualified from being a director, or had ceased to be a director or was not entitled to vote. In any of these cases, anything done will be as valid as if there was no defect or irregularity of the kind referred to in this article.

#### **114. Appointment and Removal of the Secretary**

Subject to the legislation, the directors can appoint the secretary for such term and upon such conditions as they see fit; and any secretary so appointed can be removed by the directors.

#### **115. Use of Seals**

- (A) The directors must arrange for every seal of the company to be kept safely.
- (B) A seal can only be used with the authority of the directors or a committee authorised by the directors.
- (C) Subject as otherwise provided in these articles, every document which is sealed using the common seal must be signed by one director and the secretary, or by two directors or by any other person or persons authorised by the directors.
- (D) Any document to which the official seal is applied need not be signed, unless the directors decide otherwise or the legislation requires otherwise.
- (E) The directors can resolve that the requirement for any counter-signature in this article can be dispensed with on any occasion.



**116. Declaration of Dividends by Company**

The company's shareholders can declare dividends in accordance with the rights of the shareholders by passing an ordinary resolution. No such dividend can exceed the amount recommended by the directors.

**117. Payment of Interim and Fixed Dividends by Directors**

If the directors consider that the financial position of the company justifies such payments, they can:

- (i) pay the fixed or other dividends on any class of shares on the dates prescribed for the payment of those dividends; and
- (ii) pay interim dividends on shares of any class of any amounts and on any dates and for any periods which they decide.

If the directors act in good faith, they will not be liable for any loss that any shareholders may suffer because a lawful dividend has been paid on other shares which rank equally with or behind their shares.

**118. Calculation and Currency of Dividends**

- (A) All dividends will be declared and paid in proportions based on the amounts paid up on the shares during any period for which the dividend is paid. Sums which have been paid up in advance of calls will not count as paid up for this purpose. If the terms of any share say that it will be entitled to a dividend as if it were a fully paid up, or partly paid up, share from a particular date (in the past or future), it will be entitled to a dividend on this basis. This article applies unless these articles, the rights attached to any shares, or the terms of any shares, say otherwise.
- (B) Unless the rights attached to any shares, the terms of any shares or these articles say otherwise, a dividend or any other money payable in respect of a share can be paid in whatever currency the directors decide using an exchange rate selected by the directors for any currency conversions required. The directors can also decide how any costs relating to the choice of currency will be met.

**119. Amounts Due on Shares can be Deducted from Dividends**

If a shareholder owes the company any money for calls on shares or money in any other way relating to his shares, the directors can deduct any of this money from any dividend or other money payable to the shareholder on or in respect of any share held by him. Money deducted in this way can be used to pay amounts owed to the company.

**120. No Interest on Dividends**

Unless the rights attached to any shares, or the terms of any shares, say otherwise, no dividend or other sum payable by the company on or in respect of its shares carries a right to interest from the company.

**121. Payment Procedure**

- (A) Any dividend or other money payable in cash relating to a share can be paid by sending a cheque, warrant or similar financial instrument payable to the shareholder who is entitled to it by post addressed to his registered address. Or it can be made payable to someone else named in a written instruction from the shareholder (or all joint shareholders) and sent by post to the address specified in that instruction. A dividend can also be paid by inter-bank transfer or by other electronic means (including payment through CREST) directly to an account with a bank or other financial institution (or other organisations operating deposit accounts if allowed by the company) in the United Kingdom named in a written instruction from the person entitled to receive the payment under this article. Alternatively, a dividend can be paid in some other way requested in writing by the shareholder (or all joint shareholders) and agreed with the company.
- (B) For joint shareholders or persons jointly entitled to shares by law, payment can be made to the shareholder whose name stands first in the register. The company can rely on a receipt for a dividend or other money paid on shares from any one of them on behalf of all of them.
- (C) Cheques, warrants and similar financial instruments are sent, and payment in any other way is made, at the risk of the person who is entitled to the money. The company is treated as having paid a dividend if the cheque, warrant or similar financial instrument is cleared or if a payment is made through CREST, bank transfer or other electronic means. The company will not be responsible for a payment which is lost or delayed.
- (D) Dividends can be paid to a person who has become entitled to a share by law as if he were the holder of the share.

**122. Uncashed Dividends**

- (A) The company can stop sending dividend payments through the post, or cease using any other method of payment (including payment through CREST), for any dividend if:
  - (i) for two consecutive dividends:
    - (a) the dividend payments sent through the post have been returned undelivered or remain uncashed during the period for which they are valid; or
    - (b) the payments by any other method have failed; or
  - (ii) for any one dividend:
    - (a) the dividend payment sent through the post has been returned undelivered or remains uncashed during the period for which it is valid; or

(b) the payment by any other method has failed,

and reasonable enquiries have failed to establish any new postal address or account of the registered shareholder.

(B) Subject to these articles, the company must recommence sending dividend payments if requested in writing by the shareholder, or the person entitled to a share by law.

### **123. Forfeiture of Unclaimed Dividends**

Where any dividends or other amounts payable on a share have not been claimed, the directors can invest them or use them in any other way for the company's benefit until they are claimed. The company will not be a trustee of the money and will not be liable to pay interest on it. If a dividend or other money has not been claimed for 12 years after being declared or becoming due for payment, it will be forfeited and go back to the company unless the directors decide otherwise.

### **124. Dividends Not in Cash**

If recommended by the directors, the company can pass an ordinary resolution that a dividend be paid wholly or partly by distributing specific assets (and, in particular, paid up shares or debentures of any other company). Where any difficulty arises on such a distribution, the directors can resolve it as they decide. For example, they can:

- (i) authorise any person to sell and transfer any fractions;
- (ii) ignore any fractions;
- (iii) value assets for distribution purposes;
- (iv) pay cash of a similar value to adjust the rights of shareholders; and/or
- (v) vest any assets in trustees for the benefit of more than one shareholder.

### **125. Scrip Dividends**

The directors can offer ordinary shareholders (excluding any shareholder holding shares as treasury shares) the right to choose to receive extra ordinary shares, which are credited as fully paid up, instead of some or all of their cash dividend. Before they can do this, shareholders must have passed an ordinary resolution authorising the directors to make this offer.

- (i) The ordinary resolution can apply to some or all of a particular dividend or dividends. Or it can apply to some or all of the dividends which may be declared or paid in a specified period. The specified period must not end later than the fifth anniversary of the date on which the ordinary resolution is passed.

- (ii) The directors can also offer shareholders the right to request new shares instead of cash for all future dividends (if a share alternative is available), until they tell or are treated as telling the company that they no longer wish to receive new shares.
- (iii) A shareholder will be entitled to ordinary shares whose total "relevant value" is as near as possible to the cash dividend he would have received (disregarding any tax credit), but not more than it. The relevant value of a share is the average value of the company's ordinary shares for five consecutive dealing days selected by the directors starting on or after the day when the shares are first quoted "ex dividend". This average value is worked out from the middle market quotations for the company's ordinary shares on the London Stock Exchange as derived from the Daily Official List (or any other publication of a recognised investment exchange showing quotations for the company's ordinary shares) for the relevant dealing days.
- (iv) The ordinary resolution can require that the relevant value is worked out in some different way. A certificate or report by the auditors stating the relevant value of a share for any dividend will be conclusive evidence of that value.
- (v) After the directors have decided how many new shares ordinary shareholders will be entitled to, they can notify them in writing of their right to opt for new shares. This notice should also say how, where and when shareholders must notify the company if they wish to receive new shares. Where shareholders have opted to receive new shares in place of all future dividends, if new shares are available, the company will not need to notify them of a right to opt for new shares. No shareholders will receive a fraction of a share. The directors can decide how to deal with any fractions left over. For example, they can decide that the benefit of these fractions belongs to the company or that fractions are ignored or dealt with fractions in some other way.
- (vi) If a notice informing any shareholders of their right to opt for new shares is accidentally not sent or is not received, the offer will not be invalid as a result nor give rise to any claim, suit or action.
- (vii) The directors can exclude or restrict the right to opt for new shares or make any other arrangements where they decide that this is necessary or convenient to deal with any of the following legal or practical problems:
  - (a) problems relating to laws of any territory, or
  - (b) problems relating to the requirements of any recognised regulatory body or stock exchange in any territory,

or where the directors believe that for any other reason the right should not be given.

- (viii) If a shareholder has opted to receive new shares, no dividend on the shares for which he has opted to receive new shares (which are called the “elected shares”), will be declared or payable. Instead, new ordinary shares will be allotted on the basis set out earlier in this article. To do this, the directors will convert into capital the sum equal to the total amount of the new ordinary shares to be allotted. They will use this sum to pay up in full the appropriate number of new ordinary shares. These will then be allotted and distributed to the holders of the elected shares on the basis set out above. The sum to be converted into capital can be taken from:
- (a) any amount which is then in any reserve or fund (including the share premium account, any capital redemption reserve and the profit and loss account or retained earnings); or
  - (b) any other sum which is available to be distributed.

The directors can do anything they think necessary to give effect to any such conversion into capital.

- (ix) The new ordinary shares will rank equally in all respects with the existing fully paid up ordinary shares at the time when the new ordinary shares are allotted. But, they will not be entitled to share in the dividend from which they arose, or to have new shares instead of that dividend.
- (x) The directors can decide that new shares will not be available in place of any cash dividend. They can decide this at any time before new shares are allotted in place of such dividend, whether before or after shareholders have opted to receive new shares.
- (xi) The directors can decide how any costs relating to making new shares available in place of a cash dividend will be met. For example, they can decide that an amount will be deducted from the entitlement of a shareholder under this article.
- (xii) Unless the directors decide otherwise or unless the uncertificated securities rules require otherwise, any new ordinary shares which a shareholder has chosen to receive instead of some or all of his cash dividend will be:
  - (a) CREST shares if the corresponding elected shares were CREST shares on the record date for that dividend; and
  - (b) certificated shares if the corresponding elected shares were certificated shares on the record date for that dividend.
- (xiii) The directors may not proceed with any election unless the company has unissued shares authorised for issue and sufficient reserves or

funds that may be capitalised to give effect to it after the basis of allotment is determined.

#### **126. Power to Capitalise Reserves and Funds**

- (A) If recommended by the directors, the company's shareholders can pass an ordinary resolution to capitalise any sum:
- (i) which is part of any of the company's reserves (including premiums received when any shares were issued, capital redemption reserves or other undistributable reserves); or
  - (ii) which the company is holding as net profits.
- (B) Unless the ordinary resolution states otherwise, the directors will use the sum which is capitalised by setting it aside for the ordinary shareholders on the register at the close of business on the day the resolution is passed (or another date stated in the resolution or fixed as stated in the resolution) and in the same proportions as the ordinary shareholders' entitlement to dividends (or in other proportions stated in the resolution or fixed as stated in the resolution). The sum set aside can be used:
- (i) to pay up some or all of any amount on any issued shares which has not already been called, or paid in advance; or
  - (ii) to pay up in full unissued shares, debentures or other securities of the company which would then be allotted and distributed, credited as fully paid, to shareholders.

However, a share premium account, a capital redemption reserve, or any reserve or fund representing unrealised profits, can only be used to pay up in full the company's unissued shares. Where the sum capitalised is used to pay up in full unissued shares, the company is also entitled to participate in the relevant distribution in relation to any shares of the relevant class held by it as treasury shares and the proportionate entitlement of the relevant class of shareholders to the distribution will be calculated on this basis.

- (C) The directors can appoint any person to sign a contract with the company on behalf of those who are entitled to shares, debentures or other securities under the resolution. Such a contract is binding on all concerned.

#### **127. Settlement of Difficulties in Distribution**

If any difficulty arises in connection with any distribution of any capitalised reserve or fund, the directors can resolve it in any way which they decide. For example, they can deal with entitlements to fractions by deciding that the benefit of fractions belong to the company or that fractions are ignored or deal with fractions in some other way.

**128. Power to Choose Any Record Date**

This article applies to any dividend on any shares, or any distribution, allotment or issue to the holders of any shares. This can be paid or made to the registered holder or holders of the shares, or to anyone entitled in any other way, at a particular time on a particular day selected by the directors. It will be based on the number of shares registered at that time on that day, even if this is before any resolution to authorise what is being done was passed. This article applies whether what is being done is the result of a resolution of the directors, or a resolution at a general meeting. The time and date can be before the dividend, any distribution, allotment or issue is to be paid or made, or before any relevant resolution was passed.

**129. Inspection of Records**

A shareholder is not entitled to inspect any of the company's accounting records or other books or papers unless:

- (i) the legislation or a proper court order gives him that right;
- (ii) the directors authorise him to do so; or
- (iii) the shareholders authorise him to do so by ordinary resolution.

**130. Summary Financial Statements**

The company can send or supply summary financial statements to its shareholders instead of copies of its full reports and accounts.

**131. Method of Service**

- (A) The company can send or supply any notice, document, including a share certificate, or other information to a shareholder:
  - (i) by delivering it to him personally;
  - (ii) by addressing it to him and posting it to, or leaving it at, the shareholder's registered address;
  - (iii) through CREST, where it relates to CREST shares;
  - (iv) as authorised in writing by the relevant shareholder;
  - (v) where appropriate, by sending or supplying it in electronic form to an address notified by the relevant shareholder to the company for that purpose; or
  - (vi) where appropriate, by making it available on a website and notifying the shareholder of its availability in accordance with this article.

Where there are joint shareholders, the notice, document or other information can be sent or supplied to any one of the joint holders and will be treated as having been sent or supplied to all the joint holders.

- (B) Where there are joint shareholders, anything which needs to be agreed or specified in relation to any notice, document or other information to be sent or supplied to them can be agreed or specified by any one of the joint shareholders. The agreement or specification of the senior will be accepted to the exclusion of the agreement or specification of the other joint shareholder(s). For this purpose, seniority will be determined by the order in which the joint shareholders' names stand in the register in respect of the joint shareholding.
- (C) If on three consecutive occasions any notice, document or other information sent or supplied to a shareholder has been returned undelivered, the company need not send or supply further notices, documents or other information to that shareholder until he has communicated with the company and supplied the company (or its agents) with a new registered address, or a postal address within the United Kingdom for the service of notices and the despatch or supply of documents and other information, or has informed the company of an address for the service of notices and the sending or supply of documents and other information in electronic form. Any notice, document or other information sent by post will be treated as returned undelivered if the notice, document or other information is sent back to the company (or its agents), and any notice, document or other information sent or supplied in electronic form will be treated as returned undelivered if the company (or its agents) receives notification that the notice, document or other information was not delivered to the address to which it was sent.
- (D) The company may at any time and in its sole discretion choose to serve, send or supply notices, documents or other information in hard copy form alone to some or all members.

### **132. Record Date for Service**

Where the company sends or supplies notices, documents or other information to shareholders, it can do so by reference to the shareholders' register as it stands at any time not more than 15 days before the date the notice, document or other information is sent or supplied. Any change of details on the register after that time will not invalidate the sending or supply and the company is not obliged to send or supply the same notice, document or other information to any person entered on the shareholders' register after the date selected by the company.

### **133. Members Resident Abroad or on Branch Registers**

- (A) If a shareholder's address on the register is outside the United Kingdom, he can give the company a United Kingdom postal address to which notices, documents or other information can be sent or supplied to him. If he does, he is entitled to have notices, documents or other information sent to him at



that address or, where applicable, to be notified at that address of the availability of the notice, documents or other information on a website. Alternatively, a shareholder whose address on the register is outside the United Kingdom can give the company an address for the purposes of communications in electronic form. If he does, notices, documents or other information may, subject to these articles, be sent or supplied to him at that address. Otherwise, he is not entitled to receive any notices, documents or other information from the company.

- (B) For a shareholder registered on a branch register, notices, documents or other information can be posted or despatched in the United Kingdom or in the country where the branch register is kept.

**134. Service of Notices on Persons Entitled by Transmission**

This article applies where a shareholder has died or become bankrupt or is in liquidation, or where someone else has otherwise become entitled by law to that shareholder's shares, but is still registered as a shareholder. It applies whether he is registered as a sole or joint shareholder. A person who is entitled to that shareholder's shares by law, and who proves this to the reasonable satisfaction of the directors, can give the company a United Kingdom postal address for the sending or supply of notices, documents and other information. If this is done, notices, documents and other information must be sent to that address or, where applicable, he must be notified at that address of the availability of the notice, document or other information on a website. Alternatively, a person who is entitled to that shareholder's shares by law, and who proves this to the reasonable satisfaction of the directors, can give the company an address for the purposes of communications by electronic means. If this is done, notices, documents or other information may be sent or supplied to him at that address or, where applicable, he may be notified at that address of the availability of the notice, document or other information on a website. Otherwise, if any notice, document or other information is sent or supplied to the shareholder named on the register, this will be valid despite his death, bankruptcy or liquidation or the fact that any other event giving rise to an entitlement to the shares by law has occurred. This applies even if the company knew about these things. If any notice, document or other information is sent or supplied in accordance with this article, there is no need to send or supply it to any other people who may be involved.

**135. Service of notice on holders of bearer securities**

Any notice to the bearer of a warrant or to any other person who holds or is interested in shares in the company in bearer form or any related coupons or talons shall be sufficiently given if advertised in at least two daily newspapers at least one of which shall be published in London.

**136. Notice by advertisement**

Any notice or other document required to be or which may be given by advertisement shall be advertised once in at least one newspaper with a national circulation.

**137. Deemed Delivery**

- (A) If any notice, document or other information is given, sent or supplied by the company by post, it is treated as being received the day after it was posted if first class post was used or 48 hours after it was posted if first class post was not used. In proving that any notice, document or other information was given, sent or supplied, it is sufficient to show that the envelope was properly addressed and put into the postal system with postage paid.
- (B) If any notice, document or other information is left by the company at a shareholder's registered address or at a postal address notified to the company in accordance with these articles by a shareholder or a person who is entitled to a share by law, it is treated as being received on the day it was left.
- (C) If a notice is sent through CREST, it is treated as being received when the company, or any CREST participant acting for the company, sends the issuer-instruction relating to the notice, document or other information.
- (D) If any notice, document or other information is given, sent or supplied by the company using electronic means, it is treated as being received on the day it was sent even if the company subsequently sends a hard copy of such notice, document or other information by post. In the case of any notice, document or other information made available on a website, the notice, document or other information is treated as being received on the day on which the notice, document or other information was first made available on the website, or, if later, when a notice of availability is received or treated as being received by the shareholder in accordance with these articles. In proving that any notice, document or other information was given, sent or supplied by electronic means, it is sufficient to show that it was properly addressed.
- (E) If any notice, document or other information is given, sent or supplied by the company by any other means authorised in writing by a shareholder, it is treated as being received when the company has done what it was authorised to do by that shareholder.

**138. Notice When Post Not Available**

If a general meeting cannot be called by sending or supplying notices through the post or by electronic means or by making the notice available on a website because the postal service in the United Kingdom or some part of the United Kingdom or the relevant communication system is suspended or restricted, the directors can give notice of the meeting to shareholders affected by the suspension or restriction by publishing a notice in at least one United Kingdom national newspaper. Notice published in this way will be treated as being properly served on affected shareholders who are entitled to receive it on the day the advertisement appears. If it becomes generally possible to send or supply notices by post or by electronic means or by making the notice available on a website at least six clear days before

the meeting, the directors will send or supply a copy of the notice by post or by electronic means to those entitled to receive it by way of confirmation or, where applicable, notify the affected shareholders of the availability on a website.

### **139. Presumptions Where Documents Destroyed**

- (A) The company can destroy or delete:
- (i) all transfer forms or Operator-instructions transferring shares, and documents sent to support a transfer, and any other documents which were the basis for making an entry by the company on the register, after six years from the date of registration;
  - (ii) all dividend and other payment instructions and notifications of a change of address or name, after two years from the date these were recorded;
  - (iii) all cancelled share certificates, after one year from the date they were cancelled; and
  - (iv) all proxy forms after one year from the date they were used if they were used for a poll, or after one month from the end of the meeting to which they relate if they were not used for a poll.
- (B) If the company destroys or deletes a document under this article, it is conclusively treated as having been a valid and effective document in accordance with the company's records relating to the document. Any action of the company in dealing with the document in accordance with its terms before it was destroyed or deleted is conclusively treated as having been properly taken.
- (C) This article only applies to documents which are destroyed or deleted in good faith and where the company is not on notice of any claim to which the document may be relevant.
- (D) If the documents relate to CREST shares, the company must comply with any requirements of the uncertificated securities rules which limit its ability to destroy these documents.
- (E) This article does not make the company liable if:
- (i) it destroys or deletes a document earlier than the time limit referred to in paragraph (A);
  - (ii) it does not comply with the conditions in paragraph (C); or
  - (iii) the company would not be liable if this article did not exist.

(F) This article applies whether a document is destroyed or deleted or disposed of in some other way.

**140. Indemnity of Directors**

(A) As far as the legislation allows this, the company:

- (i) can indemnify any director of the company or of any associated company against any liability; and
- (ii) can purchase and maintain insurance against any liability for any director of the company or of any associated company.

(B) A director of the company or of any associated company will not be accountable to the company or the shareholders for any benefit provided pursuant to this article. Anyone receiving such a benefit will not be disqualified from being or becoming a director of the company.

## GLOSSARY

### About the Glossary

This Glossary is to help readers understand the company's articles. Words are explained as they are used in the articles — they might mean different things in other documents. This Glossary is not legally part of the articles and it does not affect their meaning. The explanations are intended to be a general guide — they are not precise. Words and expressions which are printed in bold and italics in a definition have their own general explanation of their meaning which is contained in this Glossary.

**abrogate** If the **special rights** of a share are abrogated, they are cancelled or withdrawn.

**adjourn** Where a meeting breaks up, to be continued at a later time or day, at the same or a different place.

**allot** When new shares are allotted, they are set aside for the person they are intended for. This will normally be after the person has agreed to pay for a new share, or has become entitled to a new share for any other reason. As soon as a share is allotted, that person has the right to have his name put on the register of shareholders. When he has been registered, the share has also been **issued**.

**asset** Anything which is of any value to its owner.

**attorney** An attorney is a person who has been appointed to act for another person. The person is appointed by a formal document, called a "**power of attorney**".

**authorised share capital** The total number of shares which a company has the potential, under its memorandum of association, to have **in issue** at any time. Authorised share capital includes all the shares which a company has **in issue** at any time as well as any shares which have been authorised by a shareholder's meeting but are not yet **issued** (whether or not authority to **issue** them has been given under the company's articles).

**brokerage** Commission which is paid to a broker by a company **issuing** shares where the broker's clients have applied for shares.

**call** A call to pay money which is due on shares which has not yet been paid. This happens if the company **issues** shares which are partly paid, where money remains to be paid to the company for the shares. The money which has not been paid can be "called" for. If all the money to be paid on a share has been paid, the share is called a "**fully paid share**".

**capitalise** To convert some or all of the **reserves** of a company into capital (such as shares).

**capital redemption reserve** A **reserve** which a company may have to set up to maintain the level of its capital base when shares are **redeemed** or bought back.

**certificated form** A shareholder holds a share or other security in certificated form if it is not able to be held in **uncertificated form** or, if it is able to be held in **uncertificated form** but that shareholder has requested that a certificate be issued for that share or other security (see also **uncertificated form**).

**company representative** If a corporation owns shares, it can appoint a company representative to attend a shareholders' meeting to speak and vote for it.

**consolidate** When shares are consolidated, they are combined with other shares — for example, three £1 shares might be consolidated into one new £3 share.

**debenture** A typical debenture is a long-term borrowing by a company. The loan usually has to be repaid at a fixed date in the future and carries a fixed rate of interest.

**declare** Generally, when a dividend is declared, it becomes due to be paid.

**derivative claim** An action which may be brought by a member on behalf of the company to enforce liability for breach by a director of his duties to the company.

**electronic form** A document is in electronic form if it is either sent by **electronic means** or it is sent by other means while in an electronic form e.g. a CD ROM.

**electronic means** A communication is sent by electronic means if it is sent by means of a telecommunications system. It includes fax and telephone communications and also electronic mail.

**entitled to a share by law** In some situations, a person will be entitled to have shares which are registered in somebody else's name registered in his own name or to require the shares to be transferred to another person. When a shareholder dies, or the sole survivor of joint shareholders dies, his **personal representatives** have this right. If a shareholder is made bankrupt, his **trustee** in bankruptcy has the right.

**ex dividend** Once a share has gone ex-dividend, a person who buys the share in the market will not be entitled to the dividend which has been declared shortly before it was bought. The seller remains entitled to this dividend even though it will be paid after he has sold his share.

**executed** A document is executed when it is signed or sealed or made valid in some other way.

**exercise** When a power is exercised, it is used.

**forfeit and forfeiture** When a share is forfeited it is taken away from the shareholder and goes back to the company. This process is called "forfeiture". This can happen if a **call** on a **partly paid share** is not paid on time.

**fully paid shares** When all of the money or other property which is due to the company for a share has been paid or received, a share is called a "fully paid share".

**hard copy form** A document is in hard copy form if it is in a paper copy or similar form.

**indemnity and indemnify** If a person gives another person an indemnity, he promises to make good any losses or damage which the other might suffer. The person who gives the indemnity is said to "indemnify" the other person.

**in issue** See **issue**.

**instruments** Formal legal documents.

**issue** When a share has been issued, everything has been done by a company to make the shareholder the owner of the share. In particular, the shareholder's name has been put on the register or a share warrant has been issued in relation to the share. Existing shares which have been issued are called "**in issue**".

**lien** Where the company has a lien over shares, it can take the dividends, and any other payments relating to the shares which it has a lien over, or it can sell the shares, to repay the debt and so on.

**members** Shareholders.

**nominal amount or nominal value** The amount of the share shown in a company's account. The nominal value of the company's ordinary shares is 10p. This amount is shown on the share certificate for a share. When a company **issues** new shares this can be for a price which is at a **premium** to the nominal value. When shares are bought and sold on the stock market this can be for more, or less, than the nominal value. The nominal value is sometimes also called the "par value".

**officer** The term officer includes (subject to the provisions of the articles) a director, secretary, any employee who reports directly to a director or any other person who the directors decide should be an officer.

**Operator** A person approved by the Treasury under the Uncertificated Securities Regulations 2001 as operator of a **relevant system**.

**Operator-instruction** A properly authenticated instruction sent by or on behalf of an **Operator** and sent or received by means of a **relevant system**.

**ordinary resolution** A decision reached by a simple majority of votes — that is by more than 50 per cent. of the votes cast.

**partly paid shares** If any money remains to be paid on a share, it is said to be partly paid. The unpaid money can be "**called**" for.

**personal representatives** A person who is entitled to deal with the property (the "estate") of a person who has died. If the person who has died left a valid will, the will appoints "executors" who are personal representatives. If the person died without a will, the courts will appoint one or more "administrators" to be the personal representatives.

**poll** On a vote taken on a poll, the number of votes which a shareholder has will depend on the number of shares which he owns. An ordinary shareholder has one vote for each share he owns. A poll vote is different to a vote taken on a **show of hands**, where each person who is entitled to vote has just one vote, however many shares he owns.

**power of attorney** A formal document which legally appoints one or more persons to act on behalf of another person.

**pre-emption rights** The right of some shareholders which is given by the legislation to be offered a proportion of certain classes of newly issued shares and other securities before they are offered to anyone else. This offer must be made on terms which are at least as favourable as the terms offered to anyone else.

**premium** If a company **issues** a new share for more than its **nominal value**, the amount above the **nominal value** is the premium.

**proxy** A proxy is a person who is appointed by a shareholder to attend a meeting and vote for that shareholder. A proxy is appointed by using a **proxy form**, which may be electronic. A proxy does not have to be a shareholder. A proxy can vote on a poll and on a show of hands under the company's articles.

**proxy form** A form (including an electronic form) which a shareholder uses to appoint a **proxy** to attend a meeting and vote for him. The proxy forms are sent out by the company and must be returned to the company before the meeting to which they relate.

**quorum** The minimum number of shareholders or directors who must be present before a shareholders' or, as appropriate, directors' meeting can start. When this number is reached, the meeting is said to be "quorate".

**rank** When either capital or income is distributed to shareholders, it is paid out according to the rank (or ranking) of the shares. For example, a share which ranks ahead of (or above) another share in sharing in a company's income is entitled to have its dividends paid first, before any dividends are paid on shares which rank below (or after) it. If there is not enough income to pay dividends on all shares, the available income must be used first to pay dividends on shares which rank first, and then to shares which rank next. The same applies for repayments of capital. Capital must be paid first to shares which rank first in sharing in the company's capital, and then to shares which rank next. A company's preference shares (if it has any) generally rank ahead of its ordinary shares.

**recognised investment exchange** An investment exchange which has been officially recognised by the UK authorities. An investment exchange is a place where investments, such as shares, are traded. The London Stock Exchange is a recognised investment exchange.

**redeem, redemption and redeemable** When a share is redeemed, it goes back to the company in return for a sum of money which was fixed (or calculated from a formula fixed) before the share was **issued**. This process is called "redemption". A share which can be redeemed is called a "redeemable" share.

**relevant system** This is a term used in the legislation for a computer system which allows shares without share certificates to be transferred without using transfer forms. The CREST system for paperless share dealing is a "relevant system".

**renounces and renunciation** Where a share has been **allotted**, but nobody has been entered on the share register for the share, it can be renounced to another person. This transfers the right to have the share registered to another person. This process is called "renunciation".

**reserves** A fund which has been set aside in the accounts of a company — profits which are not paid out to shareholders as dividends, or used up in some other way, are held in a reserve by the company.

**retire by rotation** Directors must retire at an annual general meeting after they have been in office for three years or if they have been appointed since the last annual general meeting. This gives the shareholders the chance to confirm or renew their appointments by voting on whether to re-appoint them. In addition,



non-executive directors who have acted as such for nine years must retire at every annual general meeting.

**revoke** To withdraw or cancel.

**shadow director** Where the directors of a company are accustomed to act in accordance with directions or instructions given by a person, that person is known as a shadow director. This does not include the company's professional advisers.

**share premium account** If a new share is **issued** by a company for more than its **nominal value**, the amount above the **nominal value** is the **premium** and the total of these **premiums** is held in a **reserve** (which cannot be used to pay dividends) called the share premium account.

**show of hands** A vote where each person who is entitled to vote has just one vote, however many shares he holds.

**special resolution** A decision reached by a majority of at least 75 per cent. of votes cast. Shareholders must be given at least 14 days' notice of any special resolution.

**special rights** These are the rights of a particular class of shares as distinct from rights which apply to all shares generally. Typical examples of special rights are: where the shares **rank**; their rights to sharing in income and **assets**; and voting rights.

**statutory declaration** A formal way of declaring something in writing. Particular words and formalities must be used — these are laid down by the Statutory Declarations Act of 1835.

**sub-divide** When shares are subdivided they are split into shares which have a smaller **nominal amount**. For example, a £1 share might be subdivided into two 50p shares.

**subject to** Means that something else has priority, or prevails, or must be taken into account. When a statement is subject to something this means that the statement must be read in the light of that other thing, which will prevail if there is any conflict.

**subsidiary** A company which is controlled by another company (for example, because the other company owns a majority of its shares) is called a subsidiary of that company. This is defined in more detail in the legislation.

**subsidiary undertaking** This is a term used by the legislation. It has a wider meaning than **subsidiary**. Generally speaking, it is a company which is controlled by another company because the other company:

- has a majority of the votes in the company, either alone or acting with others;
- is a shareholder who can appoint or remove a majority of the directors; or
- can **exercise** dominant influence over the company because of anything in the company's memorandum or articles or because of a certain kind of contract.

**treasury shares** Shares in the company which were bought by the company as provided by the legislation and which have been held by the company continuously since being bought are called treasury shares.

**trustees** People who hold property of any kind for the benefit of one or more other people under a kind of arrangement which the law treats as a “trust”.

**uncertificated form** A share or other security is held in uncertificated form if no certificate or share warrant has been issued for it. A share or other security held in uncertificated form is eligible for settlement in CREST or any other **relevant system**.

**underwriting** A person who agrees to buy new shares if they are not bought by other people underwrites the share offer.

**warrant or dividend warrant** Similar to a cheque for a dividend.

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***A PUBLIC COMPANY LIMITED BY SHARES***

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**MEMORANDUM  
- and -  
ARTICLES OF ASSOCIATION  
- of -  
CADBURY PLC**

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**Slaughter and May,  
One Bunhill Row  
London  
EC1Y 8YY**

(CA081270032)

EXECUTION VERSION

## **SEVENTH SUPPLEMENTAL TRUST DEED**

**24 JUNE 2008**

**CADBURY SCHWEPPE FINANCE p.l.c.  
as an Issuer and as Guarantor**

**- and -**

**CADBURY SCHWEPPE INVESTMENTS plc  
as an Issuer and as Guarantor**

**- and -**

**CADBURY HOLDINGS LIMITED  
(formerly Cadbury Schweppes Public Limited Company)  
as Guarantor**

**- and -**

**THE LAW DEBENTURE TRUST CORPORATION p.l.c.  
as Trustee**

**further modifying and restating the provisions of the  
Trust Deed dated 26th May, 1999  
relating to the**

**£5,000,000,000  
Euro Medium Term Note Programme**

## **ALLEN & OVERY**

Allen & Overy LLP

15437-06700 ICM:6530477.3

**THIS SEVENTH SUPPLEMENTAL TRUST DEED** is made on 24 June 2008 **BETWEEN:**

- (1) **CADBURY SCHWEPPEES FINANCE p.l.c.**, a company incorporated under the laws of England and Wales, whose registered office is at Cadbury House, Sanderson Road, Uxbridge, Middlesex UB8 1DH, England ("**CSF**");
- (2) **CADBURY SCHWEPPEES INVESTMENTS plc**, a company incorporated under the laws of England and Wales, whose registered office is at Cadbury House, Sanderson Road, Uxbridge, Middlesex UB8 1DH, England ("**CSI**" and, together with CSF in its capacity as an issuer, the "**Issuers**" and each an "**Issuer**");
- (3) **CADBURY HOLDINGS LIMITED** (formerly Cadbury Schweppes Public Limited Company ("**Cadbury Schweppes**")) a company incorporated under the laws of England and Wales, whose registered office is at Cadbury House, Sanderson Road, Uxbridge, Middlesex UB8 1DH, England ("**Cadbury Holdings**"); and
- (4) **THE LAW DEBENTURE TRUST CORPORATION p.l.c.**, a company incorporated with limited liability in England and Wales, whose registered office is at Fifth Floor, 100 Wood Street, London EC2V 7EX, England (the "**Trustee**", which expression shall, wherever the context so admits, include such company and all other persons or companies for the time being the trustee or trustees of these presents) as trustee for the Noteholders, the Receiptholders and the Couponholders (each as defined in the Principal Trust Deed (as defined below)).

**WHEREAS:**

- (1) This Seventh Supplemental Trust Deed is supplemental to:
  - (A) the Trust Deed dated 26th May, 1999 (the "**Principal Trust Deed**") made between Cadbury Schweppes, CSF and the Trustee and relating to the £1,500,000,000 (now £5,000,000,000) Euro Medium Term Note Programme established by Cadbury Schweppes and CSF (the "**Programme**");
  - (B) the First Supplemental Trust Deed dated 9th June, 2000 (the "**First Supplemental Trust Deed**") made between Cadbury Schweppes, CSF and the Trustee and modifying the provisions of the Principal Trust Deed;
  - (C) the Second Supplemental Trust Deed dated 8th June, 2001 (the "**Second Supplemental Trust Deed**") made between Cadbury Schweppes, CSF and the Trustee and further modifying the provisions of the Principal Trust Deed;
  - (D) the Third Supplemental Trust Deed dated 26th April, 2002 (the "**Third Supplemental Trust Deed**") made between Cadbury Schweppes, CSF and the Trustee and further modifying the provisions of the Principal Trust Deed;
  - (E) the Fourth Supplemental Trust Deed dated 27th May, 2004 (the "**Fourth Supplemental Trust Deed**") made between Cadbury Schweppes, CSF, CSI, and the Trustee and further modifying the provisions of the Principal Trust Deed;
  - (F) the Fifth Supplemental Trust Deed dated 9th September, 2005 (the "**Fifth Supplemental Trust Deed**") made between Cadbury Schweppes, CSF, CSI and the Trustee and further modifying and restating the provisions of the Principal Trust Deed; and

- (G) the Sixth Supplemental Trust Deed dated 8th September, 2006 (together with the Principal Trust Deed, the First Supplemental Trust Deed, the Second Supplemental Trust Deed, the Third Supplemental Trust Deed, Fourth Supplemental Trust Deed and the Fifth Supplemental Trust Deed, the “**Subsisting Trust Deeds**”) made between Cadbury Schweppes, CSF, CSI and the Trustee and further modifying and restating the provisions of the Principal Trust Deed.
- (2) On 24 June 2008 the Issuers published a Prospectus, superseding the Prospectus dated 25th October, 2007, relating to the Programme (the “**Prospectus**”).
- (3) On 7 May 2008 Cadbury Schweppes Public Limited Company was renamed as Cadbury Holdings Limited and was re-registered as a private company. With effect from the date hereof Cadbury Holdings has ceased to be an issuer under the Programme.
- (4) Clause 19(B) of the Principal Trust Deed provides that the Trustee may without the consent or sanction of the Noteholders, the Receiptholders or Couponholders at any time and from time to time concur with the relevant Obligors in making any modification (*inter alia*) to these presents (other than as therein provided) which in the opinion of the Trustee it may be proper to make provided that the Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Noteholders.
- (5) CSF and CSI have requested the Trustee to concur in making the modifications to the Principal Trust Deed (as previously modified) hereinafter contained in order to reflect the relevant modifications to the Prospectus.
- (6) The Trustee, being of the opinion that it is proper to make the modifications referred to in Recital (4) above and contained in Clause 2 hereof and that such modifications are not materially prejudicial to the interests of the Noteholders, has agreed to concur with CSF and CSI in making such modifications and has agreed that notice of such modifications need not be given to the Noteholders.

**NOW THIS SEVENTH SUPPLEMENTAL TRUST DEED WITNESSES AND IT IS AGREED AND DECLARED** as follows:

**1. DEFINITIONS AND INTERPRETATION**

Subject as otherwise provided in this Seventh Supplemental Trust Deed and unless there is anything in the subject matter or context inconsistent therewith, all words and expressions defined in the Principal Trust Deed (as previously modified) shall have the same meanings in this Seventh Supplemental Trust Deed.

**2. MODIFICATIONS**

Save:

- (i) in relation to all Series of Notes issued during the period up to and including the day last preceding the date of this Seventh Supplemental Trust Deed and any Notes issued after the date hereof and forming a single Series with Notes issued prior to the date hereof; and
- (ii) for the purpose (where necessary) of construing the provisions of this Seventh Supplemental Trust Deed;

with effect on and from the date of this Seventh Supplemental Trust Deed:

- (a) the Principal Trust Deed (as previously modified) is further modified in such manner as would result in the Principal Trust Deed as so modified being in the form set out in the Schedule hereto; and
- (b) the provisions of the Principal Trust Deed (as previously modified) insofar as the same shall still have effect shall cease to have effect and in lieu thereof the provisions of the Principal Trust Deed as so modified (and being in the form set out in Schedule hereto) shall have effect.

**3. GENERAL**

- (A) The Subsisting Trust Deeds shall henceforth be read and construed in conjunction with this Seventh Supplemental Trust Deed as one document.
- (B) A Memorandum of this Seventh Supplemental Trust Deed shall be endorsed by the Trustee on the Principal Trust Deed and by Cadbury Holdings, CSF and CSI on their respective duplicates thereof.

IN WITNESS whereof this Seventh Supplemental Trust Deed has been executed as a deed by Cadbury Holdings, CSF, CSI and the Trustee and delivered on the date first stated above.

**SCHEDULE**

**DATED 26TH MAY, 1999**

**MODIFIED AND RESTATED ON 24 JUNE 2008**

**CADBURY SCHWEPPE'S FINANCE p.l.c.  
as an Issuer and as Guarantor**

**- and -**

**CADBURY SCHWEPPE'S INVESTMENTS plc  
as an Issuer and as Guarantor**

**- and —**

**CADBURY HOLDINGS LIMITED  
(formerly Cadbury Schweppes Public Limited Company)  
as Guarantor**

**-and-**

**THE LAW DEBENTURE TRUST CORPORATION p.l.c.**

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**TRUST DEED**

**relating to a  
£5,000,000,000  
Euro Medium Term Note Programme**

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**ALLEN & OVERY**

**ALLEN & OVERY LLP**

**LONDON**

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**THIS TRUST DEED** is made on **26th May, 1999 BETWEEN:**

- (1) **CADBURY SCHWEPPEES FINANCE p.l.c.**, a company incorporated under the laws of England and Wales, whose registered office is at Cadbury House, Sanderson Road, Uxbridge, Middlesex UB8 1DH, England ("**CSF**");
- (2) **CADBURY SCHWEPPEES INVESTMENTS plc**, a company incorporated under the laws of England and Wales, whose registered office is at Cadbury House, Sanderson Road, Uxbridge, Middlesex UB8 1DH, England ("**CSI**" and, together with CSF in its capacity as an issuer, the "**Issuers**" and each an "**Issuer**");
- (3) **CADBURY HOLDINGS LIMITED** (formerly Cadbury Schweppes Public Limited Company), a company incorporated under the laws of England and Wales, whose registered office is at Cadbury House, Sanderson Road, Uxbridge, Middlesex UB8 1DH, England ("**Cadbury Holdings**"); and
- (4) **THE LAW DEBENTURE TRUST CORPORATION p.l.c.**, a company incorporated with limited liability in England and Wales, whose registered office is at Fifth Floor, 100 Wood Street, London EC2V 7EX, England (the "**Trustee**", which expression shall, wherever the context so admits, include such company and all other persons or companies for the time being the trustee or trustees of these presents) as trustee for the Noteholders, the Receiptholders and the Couponholders (each as defined below).

**WHEREAS:**

- (1) By a resolution of the Board of Directors of Cadbury Schweppes Public Limited Company (**Cadbury Schweppes**) passed on 7th May, 1999, and by a resolution of the Board of Directors of CSF passed on 18th May, 1999, each of them resolved to establish a single Euro Medium Term Note Programme pursuant to which each of them may from time to time issue Notes as set out therein and herein. Notes up to a maximum nominal amount (calculated in accordance with Clause 3(5) of the Programme Agreement (as defined below)) from time to time outstanding of £5,000,000,000 (subject to increase as provided in the Programme Agreement) (the "**Programme Limit**") may be issued pursuant to the said Programme. By a resolution of the Board of Directors of CSI passed on 25th May 2004, CSI agreed to become an issuer under the Programme. By resolutions of the Board of Directors of Cadbury Schweppes passed on 19th April, 2002, 20th May, 2004, 31st August, 2005 and 31st August, 2006, by resolutions of the Board of Directors of CSF passed on 19th April, 2002, 25th May, 2004, 31st August, 2005, 31st August, 2006 and 19 June 2008 and by resolutions of the Board of Directors of CSI passed on 31st August, 2005, 31st August, 2006 and 19 June 2008, each of them has resolved to update the Programme.
- (2) By a resolution of the Board of Directors of Cadbury Schweppes passed on 7th May, 1999 Cadbury Schweppes has resolved to guarantee all Notes issued under the said Programme by CSF or CSI and to enter into certain covenants as set out in this Trust Deed. On 7 May 2008 Cadbury Schweppes was renamed as Cadbury Holdings Limited and was re-registered as a private company.
- (3) By a resolution of the Board of Directors of CSF passed on 31st August, 2006 CSF has resolved to guarantee all Notes issued under the said Programme by CSI and to enter into certain covenants as set out in this Trust Deed.
- (4) By a resolution of the Board of Directors of CSI passed on 31st August, 2006 CSI has resolved to guarantee all Notes issued under the said Programme by CSF and to enter into certain covenants as set out in this Trust Deed.



- (5) The Trustee has agreed to act as trustee of these presents for the benefit of the Noteholders, the Receiptholders and the Couponholders upon and subject to the terms and conditions of these presents.

**NOW THIS TRUST DEED WITNESSES AND IT IS AGREED AND DECLARED** as follows:

## 1. DEFINITIONS

- (A) IN these presents unless there is anything in the subject or context inconsistent therewith the following expressions shall have the following meanings:

“**Agent**” means, in relation to all or any Series of the Notes, The Bank of New York at its office at 40th Floor, One Canada Square, London E14 5AL, England, or, if applicable, any Successor agent in relation thereto;

“**Agency Agreement**” means the agreement dated 26th May, 1999, as amended and/or supplemented and/or restated from time to time, pursuant to which Cadbury Schweppes (now Cadbury Holdings), CSF and CSI have appointed the Agent and the other Paying Agents in relation to all or any Series of the Notes and any other agreement for the time being in force appointing further or other Paying Agents or another Agent in relation to all or any Series of the Notes, or in connection with their duties, the terms of which have previously been approved in writing by the Trustee, together with any agreement for the time being in force amending or modifying with the prior written approval of the Trustee any of the aforesaid agreements;

“**Appointee**” means any attorney, manager, agent, delegate, nominee, custodian or other person appointed by the Trustee under these presents;

“**Auditors**” means the auditors for the time being of the relevant Issuer or, as the case may be, Cadbury Holdings or, in the event of their being unable or unwilling promptly to carry out any action requested of them pursuant to the provisions of these presents, such other firm of accountants or such other financial advisers as may be nominated or approved by the Trustee for the purposes of these presents after consultation with the relevant Issuer or, as the case may be, Cadbury Holdings;

“**Calculation Agency Agreement**” means in relation to all or any Series of the Notes an agreement in or substantially in the form of Schedule I to the Agency Agreement;

“**Calculation Agent**” means, in relation to all or any Series of the Notes, the person appointed as such from time to time pursuant to the provisions of the Calculation Agency Agreement or any Successor calculation agent in relation thereto;

**CGN** means a Temporary Global Note or a Permanent Global Note and in either case in respect of which the applicable Final Terms indicate is not a New Global Note;

“**Clearstream, Luxembourg**” means Clearstream Banking, *société anonyme*;

“**Conditions**” means, in relation to the Notes of any Series, the terms and conditions endorsed on or incorporated by reference into the Note or Notes constituting such Series, such terms and conditions being in or substantially in the form set out in the First Schedule or in such other form, having regard to the terms of issue of the Notes of the relevant Series, as may be agreed between the relevant Issuer, the Agent, the Trustee and the relevant Dealer(s) as modified and supplemented by the Final Terms applicable to the Notes of the relevant Series,

in each case as from time to time modified in accordance with the provisions of these presents;

**“Coupon”** means an interest coupon appertaining to a Definitive Note (other than a Zero Coupon Note), such coupon being:

- (i) if appertaining to a Fixed Rate Note, in the form or substantially in the form set out in Part V A of the Second Schedule or in such other form, having regard to the terms of issue of the Notes of the relevant Series, as may be agreed between the relevant Issuer, the Agent, the Trustee and the relevant Dealer(s); or
- (ii) if appertaining to a Floating Rate Note or an Index Linked Interest Note, in the form or substantially in the form set out in Part V B of the Second Schedule or in such other form, having regard to the terms of issue of the Notes of the relevant Series, as may be agreed between the relevant Issuer, the Agent, the Trustee and the relevant Dealer(s); or
- (iii) if appertaining to a Definitive Note which is neither a Fixed Rate Note nor a Floating Rate Note nor an Index Linked Interest Note, in such form as may be agreed between the relevant Issuer, the Agent, the Trustee and the relevant Dealer(s),

and includes, where applicable, the Talon(s) appertaining thereto and any replacements for Coupons and Talons issued pursuant to Condition 11;

**“Couponholders”** means the several persons who are for the time being holders of the Coupons and includes, where applicable, the holders of the Talons;

**“Dealers”** means ABN AMRO Bank N.V., Banc of America Securities Limited, Banco Bilbao Vizcaya Argentaria, S.A., BNP PARIBAS, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Deutsche Bank AG, London Branch, Dresdner Bank AG London Branch, HSBC Bank plc, J.P. Morgan Securities Ltd., National Australia Bank Limited and The Royal Bank of Scotland plc and any other entity which the relevant Issuer may appoint as a Dealer and notice of whose appointment has been given to the Agent and the Trustee in accordance with the provisions of the Programme Agreement but excluding any entity whose appointment has been terminated in accordance with the provisions of the Programme Agreement and notice of which termination has been given to the Agent and the Trustee by the relevant Issuer in accordance with the provisions of the Programme Agreement and references to a **“relevant Dealer”** or **“relevant Dealer(s)”** mean, in relation to any Tranche or Series of Notes, the Dealer or Dealers with whom the relevant Issuer has agreed the issue of the Notes of such Tranche or Series and **“Dealer”** means any one of them;

**“Definitive Note”** means a Note in definitive form issued or, as the case may require, to be issued by the relevant Issuer in accordance with the provisions of the Programme Agreement or any other agreement between the relevant Issuer and the relevant Dealer(s), the Agency Agreement and these presents in exchange for either a Temporary Global Note or part thereof or a Permanent Global Note (all as indicated in the applicable Final Terms), such Note in definitive form being in the form or substantially in the form set out in Part III of the Second Schedule with such modifications (if any) as may be agreed between the relevant Issuer, the Agent, the Trustee and the relevant Dealer(s) and having the Conditions endorsed thereon or, if permitted by the relevant Stock Exchange, incorporating the Conditions by reference (where applicable to this Trust Deed) as indicated in the applicable Final Terms and having the relevant information supplementing, replacing or modifying the Conditions appearing in the applicable Final Terms endorsed thereon or attached thereto and (except in the case of a

Zero Coupon Note in bearer form) having Coupons and, where appropriate, Receipts and/or Talons attached thereto on issue;

**“Dual Currency Note”** means a Note in respect of which payments of principal and/or interest are made or to be made in such different currencies, and at rates of exchange calculated upon such basis or bases, as the relevant Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms);

**“Early Redemption Amount”** has the meaning ascribed thereto in Condition 7(e);

**“Euroclear”** means Euroclear Bank S.A./N.V.;

**Eurosystem-eligible NGN** means a NGN which is intended to be held in a manner which would allow Eurosystem-eligibility, as stated in the applicable Final Terms;

**“Event of Default”** means any of the conditions, events or acts provided in Condition 10 to be Events of Default (being events upon the happening of which the Notes of any Series would, subject only to notice by the Trustee as therein provided, become immediately due and repayable);

**“Extraordinary Resolution”** has the meaning ascribed thereto in paragraph 20 of the Third Schedule;

**“Final Terms”** has the meaning set out in the Programme Agreement;

**“Fixed Rate Note”** means a Note on which interest is calculated at a fixed rate payable in arrear on a fixed date or fixed dates in each year and on redemption or on such other dates as may be agreed between the relevant Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms);

**“Floating Rate Note”** means a Note on which interest is calculated at a floating rate payable one-, two-, three-, six- or twelve-monthly or in respect of such other period or on such date(s) as may be agreed between the relevant Issuer and the relevant Dealer(s) (as indicated in the applicable Final Terms);

**“Global Note”** means a Temporary Global Note and/or a Permanent Global Note, as the context may require;

**“Holding Company”** means any company which is for the time being a holding company (within the meaning of Section 736 of the Companies Act 1985 of Great Britain until Section 1159 of the Companies Act 2006 comes into force for any purpose, when it will for all purposes in connection with these presents have the meaning given to it in Section 1159 of the Companies Act 2006);

**“Index Linked Interest Note”** means a Note in respect of which the amount payable in respect of interest is calculated by reference to such index and/or formula or to changes in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms);

**“Index Linked Note”** means an Index Linked Interest Note and/or an Index Linked Redemption Amount Note, as applicable;

**“Index Linked Redemption Amount Note”** means a Note in respect of which the amount payable in respect of principal is calculated by reference to such index and/or formula or to

changes in the prices of securities or commodities or to such other factors as the relevant Issuer and the relevant Dealer(s) may agree (as indicated in the applicable Final Terms);

**“Interest Commencement Date”** means, in the case of interest-bearing Notes, the date specified in the applicable Final Terms from (and including) which such Notes bear interest, which may or may not be the Issue Date;

**“Interest Payment Date”** means, in relation to any Floating Rate Note or Indexed Interest Note, either:

- (i) the date which falls the number of months or other period specified as the **“Specified Period”** in the applicable Final Terms after the preceding Interest Payment Date or the Interest Commencement Date (in the case of the first Interest Payment Date); or
- (ii) such date or dates as are indicated in the applicable Final Terms;

**“Issue Date”** means, in respect of any Note, the date of issue and purchase of such Note pursuant to and in accordance with the Programme Agreement or any other agreement between the relevant Issuer and the relevant Dealer(s), being in the case of any Definitive Note represented initially by a Temporary Global Note or a Permanent Global Note, the same date as the date of issue of the Temporary Global Note or the Permanent Global Note which initially represented such Note;

**“Issue Price”** means the price, generally expressed as a percentage of the nominal amount of the Notes, at which the Notes will be issued;

**“Liability”** means any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes, duties, levies, imposts and other charges) and including any amount in respect of value added tax or similar tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis;

**“loan”, “debt” and “indebtedness”**, as at a particular date, shall be construed as a reference to any obligation (other than a contingent obligation) for or in respect of moneys borrowed or raised by whatever means (including by means of acceptances, the issue of loan stock, notes or debentures, and finance leases) or for the deferred purchase price of moveable or immovable assets but excluding any obligation in respect of such deferred purchase price which:

- (i) has a maximum remaining maturity, as at such date, of one year (although its maturity may have originally exceeded one year); or
- (ii) does not fall within paragraph (i) or (iii) of this definition, but which, when aggregated with all other obligations falling within this paragraph (ii), does not exceed £20,000,000 (or its equivalent in any other currency or currencies); or
- (iii) is in respect of normal trade debts; or
- (iv) the relevant Issuer or a relevant Guarantor demonstrates to the satisfaction of the Trustee was incurred other than primarily as a means of raising finance;

**“London Business Day”** has the meaning set out in Condition 5(b)(v);

**“London Stock Exchange”** means the London Stock Exchange plc or such other body to which its functions have been transferred;

**“Maturity Date”** means the date on which a Note is expressed to be redeemable;

**“month”** means calendar month;

**NGN** means a Temporary Global Note or a Permanent Global Note and in either case in respect of which the applicable Final Terms indicate is a New Global Note;

**Non-eligible NGN** means a NGN which is not intended to be held in a manner which would allow Eurosystem-eligibility, as stated in the applicable Final Terms;

**“Note”** means a note in bearer form issued pursuant to the Programme and denominated in such currency or currencies as may be agreed between the relevant Issuer and the relevant Dealer(s) which:

- (i) has such maturity as may be agreed between the relevant Issuer and the relevant Dealer(s), subject to such minimum or maximum maturity as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Issuer or the relevant currency; and
- (ii) has such denomination as may be agreed between the relevant Issuer and the relevant Dealer(s), subject to such minimum denomination as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant currency,

issued or to be issued by the relevant Issuer pursuant to the Programme Agreement or any other agreement between the relevant Issuer and the relevant Dealer(s), the Agency Agreement and these presents and which shall initially be represented by, and comprised in, either (a) a Temporary Global Note which may (in accordance with the terms of such Temporary Global Note) be exchanged for Definitive Notes or a Permanent Global Note, which Permanent Global Note may (in accordance with the terms of such Permanent Global Note) in turn be exchanged for Definitive Notes or (b) a Permanent Global Note which may (in accordance with the terms of such Permanent Global Note) be exchanged for Definitive Notes (all as indicated in the applicable Final Terms) and includes any replacements for a Note issued pursuant to Condition 11;

**“Noteholders”** means the several persons who are for the time being holders of outstanding Notes save that, in respect of the Notes of any Series, for so long as such Notes or any part thereof are represented by a Global Note deposited with a common depositary (in the case of a CGN) or common safekeeper (in the case of a NGN) for Euroclear and Clearstream, Luxembourg, each person who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg (other than Clearstream, Luxembourg, if Clearstream, Luxembourg shall be an accountholder of Euroclear and Euroclear, if Euroclear shall be an accountholder of Clearstream, Luxembourg) as the holder of a particular nominal amount of the Notes of such Series shall be deemed to be the holder of such nominal amount of such Notes (and the holder of the relevant Global Note shall be deemed not to be the holder) for all purposes of these presents other than with respect to the payment of principal or interest on such nominal amount of such Notes the rights to which shall be vested, as against the relevant Obligors and the Trustee, solely in such common depositary or common safekeeper and for which purpose such common depositary or common safekeeper shall be deemed to be the holder of such nominal amount of such Notes in accordance with and subject to its terms and the provisions

of these presents and the expressions “**Noteholder**”, “**holder**” and “**holder of Notes**” and related expressions shall be construed accordingly;

“**notice**” means, in respect of a notice to be given to Noteholders, a notice validly given pursuant to Condition 14;

“**Official List**” means the official list maintained by the UK Listing Authority;

“**outstanding**” means, in relation to the Notes of all or any Series, all the Notes of such Series issued other than:

- (a) those Notes which have been redeemed pursuant to these presents;
- (b) those Notes in respect of which the date for redemption in accordance with the Conditions has occurred and the redemption moneys (including all interest payable thereon) have been duly paid to the Trustee or to the Agent in the manner provided in the Agency Agreement (and where appropriate notice to that effect has been given to the relative Noteholders in accordance with Condition 14) and remain available for payment against presentation of the relevant Notes and/or Receipts and/or Coupons;
- (c) those Notes which have been purchased and cancelled in accordance with Conditions 7(h) and 7(i);
- (d) those Notes which have become void under Condition 9;
- (e) those mutilated or defaced Notes which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to Condition 11;
- (f) (for the purpose only of ascertaining the nominal amount of the Notes outstanding and without prejudice to the status for any other purpose of the relevant Notes) those Notes which are alleged to have been lost, stolen or destroyed and in respect of which replacement Notes have been issued pursuant to Condition 11; and
- (g) any Temporary Global Note to the extent that it shall have been exchanged for Definitive Notes or a Permanent Global Note and any Permanent Global Note to the extent that it shall have been exchanged for Definitive Notes in each case pursuant to its provisions, the provisions of these presents and the Agency Agreement,

PROVIDED THAT for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of the holders of the Notes of any Series;
- (ii) the determination of how many and which Notes of any Series are for the time being outstanding for the purposes of Clause 9(A), Conditions 10 and 15 and paragraphs 2, 5, 6 and 9 of the Third Schedule;
- (iii) any discretion, power or authority (whether contained in these presents or vested by operation of law) which the Trustee is required, expressly or impliedly, to exercise in or by reference to the interests of the holders of the Notes of any Series; and
- (iv) the determination by the Trustee whether any event, circumstance, matter or thing is, in its opinion, materially prejudicial to the interests of the holders of the Notes of any Series,

those Notes of the relevant Series (if any) which are for the time being held by or on behalf of any of the relevant Obligor or any Subsidiary or Holding Company of any of the relevant Obligor, in each case as beneficial owner, shall (unless and until ceasing to be so held) be deemed not to remain outstanding;

**“Paying Agents”** means, in relation to all or any Series of the Notes, the several institutions (including, where the context permits, the Agent) at their respective specified offices initially appointed as paying agents in relation to such Notes by Cadbury Holdings, CSF and CSI pursuant to the Agency Agreement and/or, if applicable, any Successor paying agents in relation thereto;

**“Permanent Global Note”** means a global note in the form or substantially in the form set out in Part II of the Second Schedule with such modifications (if any) as may be agreed between the relevant Issuer, the Agent, the Trustee and the relevant Dealer(s), together with the copy of the applicable Final Terms annexed thereto, comprising some or all of the Notes of the same Series, issued by the relevant Issuer pursuant to the Programme Agreement or any other agreement relating to the Programme between the relevant Issuer and the relevant Dealer(s), the Agency Agreement and these presents either in exchange for the whole or part of any Temporary Global Note issued in respect of such Notes or on issue;

**“Potential Event of Default”** means any condition, event or act which, with the lapse of time and/or the giving of notice and/or the issue of any certificate, would constitute an Event of Default;

**“Programme”** means the Euro Medium Term Note Programme established by, or otherwise contemplated in, the Programme Agreement;

**“Programme Agreement”** means the agreement of even date herewith between Cadbury Schweppes (now Cadbury Holdings), CSF, CSI and the Dealers named therein concerning the purchase of Notes to be issued pursuant to the Programme together with any agreement for the time being in force amending, replacing, novating or modifying such agreement;

**“Receipt”** means a receipt attached on issue to a Definitive Note redeemable in instalments for the payment of an instalment of principal, such receipt being in the form or substantially in the form set out in Part IV of the Second Schedule or in such other form as may be agreed between the relevant Issuer, the Agent, the Trustee and the relevant Dealer(s) and includes any replacements for Receipts issued pursuant to Condition 11;

**“Receiptholders”** means the several persons who are for the time being holders of the Receipts;

**“Reference Banks”** means, in relation to the Notes of any relevant Series, the several banks initially appointed as reference banks and/or, if applicable, any Successor reference banks in relation thereto;

**“Relevant Date”** has the meaning set out in Condition 8;

**“relevant Issuer”** means, with respect to any Note, the Issuer of such Note;

**“relevant Guarantors”** means, where the relevant Issuer is CSF, Cadbury Holdings and CSI (in their capacities as guarantors under Clause 7) and, where the relevant Issuer is CSI, Cadbury Holdings and CSF (in their capacities as guarantors under Clause 7).

“**relevant Obligors**” means, with respect to any Note, the relevant Issuer and the relevant Guarantors and “**relevant Obligor**” shall be construed accordingly;

“**repay**”, “**redeem**” and “**pay**” shall each include both the others and cognate expressions shall be construed accordingly;

“**Securities Act**” means the United States Securities Act of 1933, as amended;

“**Security**” has the meaning set out in Condition 4;

“**Series**” means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices and the expressions “**Notes of the relevant Series**”, “**holders of Notes of the relevant Series**” and related expressions shall be construed accordingly;

“**Stock Exchange**” means the London Stock Exchange or any other or further stock exchange(s) on which any Notes may from time to time be listed, and references in these presents to the “**relevant Stock Exchange**” shall, in relation to any Notes, be references to the Stock Exchange on which such Notes are, from time to time, or are intended to be, listed;

“**Subsidiary**” means any company which is for the time being a subsidiary (within the meaning of Section 736 of the Companies Act 1985 of Great Britain until Section 1159 of the Companies Act 2006 comes into force for any purpose, when it will for all purposes in connection with these presents has the meaning given to it in Section 1159 of the Companies Act 2006) or a subsidiary undertaking (within the meaning of Section 258 and Schedule 10A of the Companies Act 1985 of Great Britain until Section 1162 of the Companies Act 2006 comes into force for any purpose, when it will for all purposes in connection with these presents have the meaning given to it in Section 1162 of the Companies Act 2006);

“**Successor**” means, in relation to the Agent, the other Paying Agents, the Reference Banks and the Calculation Agent, any successor to any one or more of them in relation to the Notes which shall become such pursuant to the provisions of these presents and/or the Agency Agreement (as the case may be) and/or such other or further agent, paying agents, reference banks and calculation agent (as the case may be) in relation to the Notes as may (with the prior approval of, and on terms previously approved by, the Trustee in writing) from time to time be appointed as such, and/or, if applicable, such other or further specified offices (in the former case being within the same city as those for which they are substituted) as may from time to time be nominated, in each case by Cadbury Holdings, CSF and CSI and (except in the case of the initial appointments and specified offices made under and specified in the Conditions and/or the Agency Agreement, as the case may be) notice of whose appointment or, as the case may be, nomination has been given to the Noteholders;

“**Successor in Business**” means in relation to any relevant Obligor any company which, as a result of any amalgamation, merger or reconstruction the terms of which have previously been approved in writing by the Trustee:

- (i) owns beneficially the whole or substantially the whole of the undertaking, property and assets owned by such relevant Obligor immediately prior thereto; and
- (ii) carries on, as successor to such relevant Obligor, the whole or substantially the whole of the business carried on by such relevant Obligor immediately prior thereto;



**“Talons”** means the talons (if any) appertaining to, and exchangeable in accordance with the provisions therein contained for further Coupons appertaining to, the Definitive Notes (other than the Zero Coupon Notes), such talons being in the form or substantially in the form set out in Part VI of the Second Schedule or in such other form as may be agreed between the relevant Issuer, the Agent, the Trustee and the relevant Dealer(s) and includes any replacements for Talons issued pursuant to Condition 11;

**“Temporary Global Note”** means a temporary global note in the form or substantially in the form set out in Part I of the Second Schedule with such modifications (if any) as may be agreed between the relevant Issuer, the Agent, the Trustee and the relevant Dealer(s), together with the copy of the applicable Final Terms annexed thereto, comprising some or all of the Notes of the same Series, issued by the relevant Issuer pursuant to the Programme Agreement or any other agreement relating to the Programme between the relevant Issuer and the relevant Dealer(s), the Agency Agreement and these presents;

**“these presents”** means this Trust Deed and the Schedules and any trust deed supplemental hereto and the Schedules (if any) thereto and the Notes, the Receipts, the Coupons, the Talons, the Conditions and, unless the context otherwise requires, the Final Terms, all as from time to time modified in accordance with the provisions herein or therein contained;

**“Tranche”** means all Notes which are identical in all respects (including as to listing);

**“Trust Corporation”** means a corporation entitled by rules made under the Public Trustee Act 1906 of Great Britain or entitled pursuant to any other comparable legislation applicable to a trustee in any other jurisdiction to carry out the functions of a custodian trustee;

**“Trustee Acts”** means the Trustee Act 1925 and the Trustee Act 2000;

**“UK Listing Authority”** means the Financial Services Authority in its capacity as competent authority under the Financial Services and Markets Act 2000;

**“Zero Coupon Note”** means a Note on which no interest is payable;

words denoting the singular shall include the plural and *vice versa*;

words denoting one gender only shall include the other genders; and

words denoting persons only shall include firms and corporations and *vice versa*.

- (B) (i) All references in these presents to principal and/or principal amount and/or interest in respect of the Notes or to any moneys payable by the relevant Issuer or, as the case may be, Cadbury Holdings or, as the case may be, CSF (where the relevant Issuer is CSI) or, as the case may be, CSI (where the relevant Issuer is CSF) under these presents shall, unless the context otherwise requires, be construed in accordance with Condition 6(f).
- (ii) All references in these presents to any statute or any provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under any such modification or re-enactment.
- (iii) All references in these presents to guarantees or to an obligation being guaranteed shall be deemed to include respectively references to indemnities or to an indemnity being given in respect thereof.

- (iv) All references in these presents to any action, remedy or method of proceeding for the enforcement of the rights of creditors shall be deemed to include, in respect of any jurisdiction other than England, references to such action, remedy or method of proceeding for the enforcement of the rights of creditors available or appropriate in such jurisdiction as shall most nearly approximate to such action, remedy or method of proceeding described or referred to in these presents.
  - (v) All references in these presents to Euroclear and/or Clearstream, Luxembourg shall, whenever the context so permits, (but not in the case of any NGN) be deemed to include references to any successor operator and/or successor clearing system and/or any additional or alternative clearing system as is specified in the applicable Final Terms and/or approved by the relevant Issuer, the Agent and the Trustee. All references in these presents to the common depository or common safekeeper shall, whenever the context so permits, be deemed to include references to any successor common depository or common safekeeper or any additional or alternative common depository or common safekeeper as is approved by the relevant Issuer, the Agent and the Trustee.
  - (vi) Unless the context otherwise requires words or expressions used in these presents shall bear the same meanings as in the Companies Act 1985 of Great Britain.
  - (vii) In this Trust Deed references to Schedules, Clauses, sub-clauses, paragraphs and sub-paragraphs shall be construed as references to the Schedules to this Trust Deed and to the Clauses, sub-clauses, paragraphs and sub-paragraphs of this Trust Deed respectively.
  - (viii) In these presents tables of contents and Clause headings are included for ease of reference and shall not affect the construction of these presents.
  - (ix) All references in these presents to taking proceedings against the relevant Issuer or, as the case may be, Cadbury Holdings or, as the case may be, CSF (where the relevant Issuer is CSI) or, as the case may be, CSI (where the relevant Issuer is CSF) shall be deemed to include references to proving in the winding-up of the relevant Issuer, Cadbury Holdings, CSF or CSI, as the case may be.
  - (x) All references in these presents to any approval or consent of the Trustee shall be deemed to include a reference to the requirement that such approval or consent shall be not unreasonably withheld or delayed.
  - (xi) All references in these presents involving compliance by the Trustee with a test of reasonableness (other than in Clause 14(iv) and the proviso to Clause 14) shall be deemed to include a reference to a requirement that such reasonableness shall be determined by reference solely to the interests of the Noteholders as a class.
  - (xii) All references in these presents to the records of Euroclear and Clearstream, Luxembourg shall be to the records that each of Euroclear and Clearstream, Luxembourg holds for its customers which reflect the amount of such customers' interest in the Notes.
- (C) Words and expressions defined in these presents or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used herein unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Agency Agreement and these presents, these presents shall prevail and, in the event of inconsistency between the Agency Agreement or these presents and the applicable Final Terms, the applicable Final Terms shall prevail.

- (D) All references in these presents to the “**relevant currency**” shall be construed as references to the currency in which payments in respect of the Notes and/or Receipts and/or Coupons of the relevant Series are to be made as indicated in the applicable Final Terms.
- (E) As used in these presents, in relation to any Notes which have a “listing” or are “listed” on the London Stock Exchange, “listing” and “listed” shall be construed to mean that such Notes have been admitted to the Official List by the UK Listing Authority and to trading on the London Stock Exchange’s Regulated Market. All references in these presents to “**listing**” and “**listed**” shall include references to “**quotation**” and “**quoted**” respectively.

## 2. AMOUNT AND ISSUE OF THE NOTES

### (A) Amount of the Notes, Final Terms and Legal Opinions:

THE Notes will be issued in Series in an aggregate nominal amount from time to time outstanding not exceeding the Programme Limit from time to time and for the purpose of determining such aggregate nominal amount Clause 3(5) of the Programme Agreement shall apply.

By not later than 3.00 p.m. (London time) on the third London Business Day preceding each proposed Issue Date, the relevant Issuer shall deliver or cause to be delivered to the Trustee a draft of the applicable Final Terms and drafts of all legal opinions (if any) to be given in relation to the proposed issue and shall notify the Trustee in writing without delay of the relevant Issue Date and the nominal amount of the Notes to be issued and upon the issue of the relevant Notes shall deliver or cause to be delivered to the Trustee a copy of the final form of the applicable Final Terms and signed copies of all such legal opinions. Upon the issue of the relevant Notes, such Notes shall become constituted by these presents without further formality.

On such occasions as the Trustee so requests (on the basis that (i) the Trustee considers it necessary in view of a change (or proposed change) in applicable law affecting the relevant Issuer or a relevant Guarantor, these presents, the Programme Agreement or the Agency Agreement, or (ii) the Trustee has other reasonable grounds for such request), the relevant Issuer or, as the case may be, such relevant Guarantor will procure that a further legal opinion or further legal opinions in such form and with such content as the Trustee may require from the legal advisers specified in the Programme Agreement or such other legal advisers as the Trustee may require is/are delivered to the Trustee. Whenever such a request is made with respect to any Notes to be issued, the receipt of such opinion(s) in a form satisfactory to the Trustee shall be a further condition precedent to the issue of those Notes.

### (B) Covenant to repay principal and to pay interest:

The relevant Issuer covenants with the Trustee that it will, as and when the Notes of any Series or any of them or any instalment of principal in respect thereof becomes due to be redeemed in accordance with the Conditions, unconditionally pay or procure to be paid to or to the order of the Trustee in the relevant currency in immediately available funds the principal amount in respect of the Notes of such Series or the amount of such instalment becoming due for redemption on that date and (except in the case of Zero Coupon Notes) shall (subject to the provisions of the Conditions) in the meantime and until redemption in full of the Notes of such Series (both before and after any judgment or other order of a court of competent jurisdiction) unconditionally pay or procure to be paid to or to the order of the Trustee as aforesaid interest (which shall accrue from day to day) on the nominal amount of

the Notes outstanding of such Series at rates and/or in amounts calculated from time to time in accordance with, or specified in, and on the dates provided for in, the Conditions (subject to Clause 2(D)) PROVIDED THAT:

- (i) every payment of principal or interest or other sum due in respect of the Notes made to or to the order of the Agent in the manner provided in the Agency Agreement shall be in satisfaction *pro tanto* of the relative covenant by the relevant Issuer in this Clause contained in relation to the Notes of such Series except to the extent that there is a default in the subsequent payment thereof in accordance with the Conditions to the relevant Noteholders, Receiptholders or Couponholders (as the case may be);
- (ii) in the case of any payment of principal made to the Trustee or the Agent after the due date or on or after accelerated maturity following an Event of Default interest shall continue to accrue on the nominal amount of the relevant Notes (except in the case of Zero Coupon Notes to which the provisions of Condition 7(j) shall apply) (both before and after any judgment or other order of a court of competent jurisdiction) at the rates aforesaid up to and including the date which the Trustee determines to be the date on and after which payment is to be made in respect thereof as stated in a notice given to the holders of such Notes (such date to be not later than 30 days after the day on which the whole of such principal amount, together with an amount equal to the interest which has accrued and is to accrue pursuant to this proviso up to and including that date, has been received by the Trustee or the Agent); and
- (iii) in any case where payment of the whole or any part of the principal amount of any Note is improperly withheld or refused upon due presentation thereof (other than in circumstances contemplated by (ii) above), interest shall accrue on the nominal amount of such Note (except in the case of Zero Coupon Notes to which the provisions of Condition 7(j) shall apply) payment of which has been so withheld or refused (both before and after any judgment or other order of a court of competent jurisdiction) at the rates aforesaid from the date of such withholding or refusal until the date on which, upon further presentation of the relevant Note, payment of the full amount (including interest as aforesaid) in the relevant currency payable in respect of such Note is made or (if earlier) the seventh day after notice is given to the relevant Noteholder(s) (whether individually or in accordance with Condition 14) that the full amount (including interest as aforesaid) in the relevant currency in respect of such Note is available for payment, provided that, upon further presentation thereof being duly made, such payment is made.

The Trustee will hold the benefit of this covenant on trust for the Noteholders, the Receiptholders and the Couponholders and itself in accordance with these presents.

**(C) Trustee's requirements regarding Paying Agents etc:**

At any time after an Event of Default or a Potential Event of Default shall have occurred and be continuing or the Trustee shall have received any money which it proposes to pay under Clause 10 to the relevant Noteholders, Receiptholders and/or Couponholders, the Trustee may:

- (i) by notice in writing to the relevant Obligor, the Agent and the other Paying Agents require the Agent and the other Paying Agents pursuant to the Agency Agreement:
  - (a) to act thereafter as Agent and other Paying Agents respectively of the Trustee in relation to payments to be made by or on behalf of the Trustee under the

terms of these presents *mutatis mutandis* on the terms provided in the Agency Agreement (save that the Trustee's liability under any provisions thereof for the indemnification, remuneration and payment of out-of-pocket expenses of the Agent and the other Paying Agents shall be limited to the amounts for the time being held by the Trustee on the trusts of these presents relating to the Notes of the relevant Series and the relative Receipts and Coupons and available for such purpose) and thereafter to hold all Notes, Receipts and Coupons and all sums, documents and records held by them in respect of Notes, Receipts and Coupons on behalf of the Trustee; or

- (b) to deliver up all Notes, Receipts and Coupons and all sums, documents and records held by them in respect of Notes, Receipts and Coupons, in each case held by them in their capacity as Agent or, as the case may be, other Paying Agent, to the Trustee or as the Trustee shall direct in such notice provided that such notice shall be deemed not to apply to any documents or records which the Agent or other Paying Agent is obliged not to release by any law or regulation; and
  - (ii) by notice in writing to the relevant Obligor require each of them to make all subsequent payments in respect of the Notes, Receipts and Coupons to or to the order of the Trustee and not to the Agent and, with effect from the issue of any such notice to the relevant Obligor and until such notice is withdrawn, proviso (i) to sub-clause (B) of this Clause relating to the Notes shall cease to have effect.
- (D) If the Floating Rate Notes or Index Linked Interest Notes of any Series become immediately due and repayable under Condition 10 the rate and/or amount of interest payable in respect of them will be calculated by the Agent or, as the case may be, the Calculation Agent at the same intervals as if such Notes had not become due and repayable, the first of which will commence on the expiry of the Interest Period during which the Notes of the relevant Series become so due and repayable *mutatis mutandis* in accordance with the provisions of Condition 5 except that the rates of interest need not be published.
- (E) **Currency of payments:**
- All payments in respect of, under and in connection with these presents and the Notes of any Series to the relevant Noteholders, Receiptholders and Couponholders shall be made in the relevant currency.
- (F) **Further Notes:**
- The relevant Issuer shall be at liberty from time to time (but subject always to the provisions of these presents) without the consent of the Noteholders, Receiptholders or Couponholders to create and issue further Notes ranking *pari passu* in all respects (or in all respects save for the date from which interest thereon accrues and the amount of the first payment of interest on such further Notes) and so that the same shall be consolidated and form a single series with the outstanding Notes of a particular Series.
- (G) **Separate Series:**
- The Notes of each Series shall form a separate Series of Notes and accordingly, unless for any purpose the Trustee in its absolute discretion shall otherwise determine, the provisions of this Clause and of Clauses 3 to 21 (both inclusive), 22(B) and 25 and the Third Schedule shall apply *mutatis mutandis* separately and independently to the Notes of each Series and in such

Clauses and Schedule the expressions “Notes”, “Noteholders”, “Receipts”, “Receiptholders”, “Coupons”, “Couponholders” and “Talons” shall be construed accordingly.

### 3. FORMS OF THE NOTES

#### (A) Global Notes:

- (i) THE Notes of each Tranche will initially be represented by either:
  - (a) a single Temporary Global Note which shall be exchangeable for either Definitive Notes together with, where applicable, Receipts and (except in the case of Zero Coupon Notes) Coupons and, where applicable, Talons attached or a Permanent Global Note, in each case in accordance with the provisions of such Temporary Global Note. Each Permanent Global Note shall be exchangeable for Definitive Notes together with, where applicable, Receipts and (except in the case of Zero Coupon Notes) Coupons and, where applicable, Talons attached, in accordance with the provisions of such Permanent Global Note; or
  - (b) a single Permanent Global Note which shall be exchangeable for Definitive Notes together with, where applicable, Receipts and (except in the case of Zero Coupon Notes) Coupons and, where applicable, Talons attached in accordance with provisions of such Permanent Global Note.

All Global Notes shall be prepared, completed and delivered to a common depositary (in the case of a CGN) or common safekeeper (in the case of a NGN) for Euroclear and Clearstream, Luxembourg in accordance with the provisions of the Programme Agreement or to another appropriate depositary in accordance with any other agreement between the relevant Issuer and the relevant Dealer(s) and, in each case, the Agency Agreement.

- (ii) Each Temporary Global Note shall be printed or typed in the form or substantially in the form set out in Part I of the Second Schedule and may be a facsimile. Each Temporary Global Note shall have annexed thereto a copy of the applicable Final Terms and shall be signed manually or in facsimile by a person duly authorised by the relevant Issuer on behalf of the relevant Issuer, and shall be authenticated by an authorised signatory on behalf of the Agent and shall, in the case of a Eurosystem-eligible NGN or in the case of a Non-eligible NGN in respect of which the Issuer has notified the Agent that effectuation is to be applicable, be effectuated by the common safekeeper acting on the instructions of the Agent. Each Temporary Global Note so executed and authenticated shall be a binding and valid obligation of the relevant Issuer and title thereto shall pass by delivery.
- (iii) Each Permanent Global Note shall be printed or typed in the form or substantially in the form set out in Part II of the Second Schedule and may be a facsimile. Each Permanent Global Note shall have annexed thereto a copy of the applicable Final Terms and shall be signed manually or in facsimile by a person duly authorised by the relevant Issuer on behalf of the relevant Issuer, and shall be authenticated by an authorised signatory on behalf of the Agent and shall, in the case of a Eurosystem-eligible NGN or in the case of a Non-eligible NGN in respect of which the Issuer has notified the Agent that effectuation is to be applicable, be effectuated by the common safekeeper acting on the instructions of the Agent. Each Permanent Global Note so

executed and authenticated shall be a binding and valid obligation of the relevant Issuer and title thereto shall pass by delivery.

**(B) Definitive Notes:**

- (i) The Definitive Notes, the Receipts, the Coupons and the Talons shall be to bearer in the respective forms or substantially in the respective forms set out in Parts III, IV, V and VI, respectively, of the Second Schedule. The Definitive Notes, the Receipts, the Coupons and the Talons shall be serially numbered and, if listed or quoted, shall be security printed in accordance with the requirements (if any) from time to time of the relevant Stock Exchange and the relevant Conditions shall be incorporated by reference (where applicable to these presents) into such Definitive Notes if permitted by the relevant Stock Exchange (if any), or, if not so permitted, the Definitive Notes shall be endorsed with or have attached thereto the relevant Conditions, and, in either such case, the Definitive Notes shall have endorsed thereon or attached thereto a copy of the applicable Final Terms (or the relevant provisions thereof). Title to the Definitive Notes, the Receipts, the Coupons and the Talons shall pass by delivery.
- (ii) The Definitive Notes shall be signed manually or in facsimile by a person duly authorised by the relevant Issuer on behalf of the relevant Issuer and shall be authenticated by or on behalf of the Agent. The Definitive Notes so executed and authenticated, and the Receipts, the Coupons and Talons, upon execution and authentication of the relevant Definitive Notes, shall be binding and valid obligations of the relevant Issuer. The Receipts, the Coupons and the Talons shall not be signed. No Definitive Note and none of the Receipts, Coupons or Talons appertaining to such Definitive Note shall be binding or valid until such Definitive Note shall have been executed and authenticated as aforesaid.

**(C) Facsimile signatures:**

The relevant Issuer may use the facsimile signature of any person who at the date such signature is affixed to a Global Note or a Definitive Note is duly authorised by the relevant Issuer notwithstanding that at the time of issue of such Note he may have ceased for any reason to be so authorised.

**(D) Persons to be treated as Noteholders:**

Except as ordered by a court of competent jurisdiction or as required by law, the relevant Obligors, the Trustee, the Agent and the other Paying Agents (notwithstanding any notice to the contrary and whether or not it is overdue and notwithstanding any notation of ownership or writing thereon or notice of any previous loss or theft thereof) may (i) for the purpose of making payment thereon or on account thereof deem and treat the bearer of any Global Note, Definitive Note, Receipt, Coupon or Talon as the absolute owner thereof and of all rights thereunder free from all encumbrances, and shall not be required to obtain proof of such ownership or as to the identity of the bearer and (ii) for all other purposes deem and treat:

- (a) the bearer of any Definitive Note, Receipt, Coupon or Talon; and
- (b) each person for the time being shown in the records of Euroclear or Clearstream, Luxembourg as having a particular nominal amount of Notes credited to his securities account,

as the absolute owner thereof free from all encumbrances and shall not be required to obtain proof of such ownership (other than, in the case of any person for the time being so shown in such records, a certificate or letter of confirmation signed on behalf of Euroclear or Clearstream, Luxembourg or any other form of record made by either of them) or as to the identity of the bearer of any Global Note, Definitive Note, Receipt, Coupon or Talon.

**(E) Certificates of Euroclear and Clearstream, Luxembourg:**

Without prejudice to the provisions of Clause 16(W), the relevant Obligor and the Trustee may call for and, except in the case of manifest error, shall be at liberty to accept and place full reliance on as sufficient evidence thereof a certificate or other document issued by Euroclear or Clearstream, Luxembourg (including any form of statement or print out of electronic records provided by the relevant clearing system in accordance with its usual procedures and in which the holder of a particular nominal amount of the Notes is clearly identified together with the amount of such holding) or any other letter of confirmation, form of record, information and/or certification made by either of them as the Trustee shall, in its absolute discretion, think fit to the effect that at any particular time or throughout any particular period any particular person is, was, or will be, shown in its records as the holder of a particular nominal amount of Notes represented by a Global Note and if it does so rely, such letter of confirmation, form of record, evidence, information and/or certification shall be conclusive and binding on all concerned.

**4. FEES, DUTIES AND TAXES**

THE relevant Issuer will pay any stamp, issue, registration, documentary and other similar fees, duties or taxes (if any), including interest and penalties thereon, payable (i) in the United Kingdom, Belgium or Luxembourg on or in connection with (a) the execution and delivery of these presents and (b) the constitution and original issue of the Notes, the Receipts and the Coupons and (ii) in any jurisdiction on or in connection with any action taken by or on behalf of the Trustee or (where permitted under these presents so to do) any Noteholder, Receiptholder or Couponholder to enforce these presents.

**5. COVENANT OF COMPLIANCE**

EACH of the relevant Obligor covenants with the Trustee that it will comply with and perform and observe all the provisions of these presents which are expressed to be binding on it. The Notes, the Receipts and the Coupons shall be held subject to the provisions contained in these presents and the Conditions shall be binding on the relevant Obligor, the Trustee, the Noteholders, the Receiptholders and the Couponholders and all persons claiming through or under them. The Trustee shall be entitled to enforce the obligations of the relevant Obligor under the Notes, the Receipts, the Coupons and the Conditions in the manner therein provided as if the same were set out and contained in this Trust Deed, which shall be read and construed as one document with the Notes, the Receipts and the Coupons. The Trustee shall hold the benefit of this covenant upon trust for itself and the Noteholders, the Receiptholders and the Couponholders according to its and their respective interests.

**6. CANCELLATION OF NOTES AND RECORDS**

- (A)** THE relevant Issuer shall procure that all Notes issued by it (i) redeemed or (ii) purchased by or on behalf of any of the relevant Obligor or any Subsidiary of any of the relevant Obligor and surrendered for cancellation or (iii) which, being mutilated or defaced, have been surrendered and replaced pursuant to Condition 11 or (iv) exchanged as provided in these presents (together in each case, in the case of Definitive Notes, with all unmatured Receipts and Coupons attached thereto or delivered therewith) and, in the case of Definitive Notes, all relative Receipts and Coupons paid in accordance with the relevant Conditions or which,



being mutilated or defaced, have been surrendered and replaced pursuant to Condition 11 shall forthwith be cancelled by or on behalf of the relevant Issuer and a certificate stating:

- (a) the aggregate nominal amount of Notes which have been redeemed and the amounts paid in respect thereof and the aggregate amounts in respect of Receipts and Coupons which have been paid;
- (b) the serial numbers of such Notes in definitive form and Receipts;
- (c) the total numbers (where applicable, of each denomination) by maturity date of such Receipts and Coupons;
- (d) the aggregate amount of interest paid (and the due dates of such payments) on Global Notes;
- (e) the aggregate nominal amount of Notes (if any) which have been purchased by or on behalf of any of the relevant Obligors or any Subsidiary of any of the relevant Obligors and cancelled and the serial numbers of such Notes in definitive form and, in the case of Definitive Notes, the total number (where applicable, of each denomination) by maturity date of the Receipts, Coupons and Talons attached thereto or surrendered therewith;
- (f) the aggregate nominal amounts of Notes and Receipts and the aggregate amounts in respect of Coupons which have been so exchanged or surrendered and replaced and the serial numbers of such Notes in definitive form and the total number (where applicable, of each denomination) by maturity date of such Coupons and Talons; and
- (g) the total number (where applicable, of each denomination) by maturity date of Talons which have been exchanged for further Coupons

shall be given to the Trustee by or on behalf of the relevant Issuer as soon as possible and in any event within four months after the date of such redemption, purchase, payment, exchange or replacement (as the case may be). The Trustee may accept such certificate as conclusive evidence of redemption, purchase, exchange or replacement *pro tanto* of the Notes or payment of interest thereon or exchange of the relative Talons respectively and of cancellation of the relative Notes and Coupons.

- (B) The relevant Issuer shall procure (i) that the Agent shall keep a full and complete record of all Notes, Receipts, Coupons and Talons issued by it (other than serial numbers of Receipts and Coupons) and of their redemption or purchase and cancellation and of all replacement notes, receipts, coupons or talons issued in substitution for lost, stolen, mutilated, defaced or destroyed Notes, Receipts, Coupons or Talons (ii) that the Agent shall, in respect of the Coupons of each maturity where the relevant Note is redeemed prior to its maturity date, retain until the expiry of 10 years from the Relevant Date in respect of such Coupons a list of the Coupons of that maturity still remaining unpaid or unexchanged and (iii) that such records shall be made available to the Trustee at all reasonable times during normal business hours.

## 7. GUARANTEE

- (A) Cadbury Holdings and CSI hereby irrevocably and unconditionally guarantee to the Trustee:
  - (i) the due and punctual payment in accordance with these presents of the principal of and interest on all Notes issued by CSF and of all other amounts payable by CSF (in its capacity as an Issuer) under these presents in relation to such Notes and the relative Receipts and the relative Coupons; and

- (ii) the due and punctual performance and observance by CSF (in its capacity as an Issuer) of each of the other provisions of these presents on its part to be performed or observed in relation to all Notes, Receipts and Coupons issued by it.
- (B) Cadbury Holdings and CSF hereby irrevocably and unconditionally guarantee to the Trustee:
- (i) the due and punctual payment in accordance with these presents of the principal of and interest on all Notes issued by CSI and of all other amounts payable by CSI (in its capacity as an Issuer) under these presents in relation to such Notes and the relative Receipts and the relative Coupons; and
  - (ii) the due and punctual performance and observance by CSI (in its capacity as an Issuer) of each of the other provisions of these presents on its part to be performed or observed in relation to all Notes, Receipts and Coupons issued by it.
- (C) If the relevant Issuer fails for any reason whatsoever punctually to pay any such principal, interest or other amount, the relevant Guarantors shall cause each and every such payment to be made as if the relevant Guarantors instead of the relevant Issuer were expressed to be the primary obligor of the relevant Note, Receipt or Coupon and not merely as surety (but without affecting the obligations of the relevant Issuer) to the intent that the holder thereof shall receive the same amounts in respect of principal, interest or such other amount as would have been receivable had such payments been made by the relevant Issuer.
- (D) If any payment received by the Trustee or any Noteholder, Receiptholder or Couponholder pursuant to the provisions of these presents in relation to the relative Notes, Receipts or Coupons shall (whether on the subsequent bankruptcy, insolvency or corporate reorganisation of the relevant Issuer or, without limitation, on any other event) be avoided or set aside for any reason, such payment shall not be considered as discharging or diminishing the liability of the relevant Guarantors and this guarantee shall continue to apply as if such payment had at all times remained owing by the relevant Issuer and the relevant Guarantors shall indemnify the Trustee and the relative Noteholders and/or Receiptholders and/or Couponholders (as the case may be) in respect thereof PROVIDED THAT the obligations of the relevant Guarantors under this sub-clause shall, as regards each payment made to the Trustee or any Noteholder, Receiptholder or Couponholder which is avoided or set aside, be contingent upon such payment being reimbursed to the relevant Issuer or other persons entitled through the relevant Issuer.
- (E) Each of Cadbury Holdings, CSF and CSI (in their capacities as guarantors) hereby agrees that its obligations hereunder shall be unconditional and that each of the relevant Guarantors shall be fully liable irrespective of the validity, regularity, legality or enforceability against the relevant Issuer of, or of any defence or counter-claim whatsoever available to the relevant Issuer in relation to, its obligations under these presents, whether or not any action has been taken to enforce the same or any judgment obtained against the relevant Issuer, whether or not any of the other provisions of these presents have been modified, whether or not any time, indulgence, waiver, authorisation or consent has been granted to the relevant Issuer by or on behalf of the relative Noteholders or the relative Receiptholders or Couponholders or the Trustee, whether or not any determination has been made by the Trustee pursuant to Clause 19(A), whether or not there have been any dealings or transactions between the relevant Issuer, any of the relative Noteholders, Receiptholders or Couponholders or the Trustee, whether or not the relevant Issuer has been dissolved, liquidated, merged, consolidated, bankrupted or has changed its status, functions, control or ownership, whether or not the relevant Issuer has been prevented from making payment by foreign exchange provisions applicable at its place of registration or incorporation and whether or not any other

circumstances have occurred which might otherwise constitute a legal or equitable discharge of or defence to a guarantor. Accordingly, the validity of this guarantee shall not be affected by reason of any invalidity, irregularity, illegality or unenforceability of all or any of the obligations of the relevant Issuer under these presents and this guarantee shall not be discharged nor shall the liability of each of the relevant Guarantors under these presents be affected by any act, thing or omission or means whatever whereby its liability would not have been discharged if it had been the principal debtor.

- (F) Without prejudice to the provisions of Clause 9(A), the Trustee may determine from time to time whether or not it will enforce this guarantee which it may do without making any demand of or taking any proceedings against the relevant Issuer and may from time to time make any arrangement or compromise with the relevant Guarantor in relation to this guarantee which the Trustee may consider expedient in the interests of the relative Noteholders, Receiptholders or Couponholders.
- (G) Each of the relevant Guarantors hereby waives diligence, presentment, demand of payment, filing of claims with a court in the event of dissolution, liquidation, merger or bankruptcy of the relevant Issuer, any right to require a proceeding first against the relevant Issuer, protest or notice with respect to the relative Notes, Receipts or Coupons or the indebtedness evidenced thereby and all demands whatsoever and hereby covenants that this guarantee shall be a continuing guarantee, shall extend to the ultimate balance of all sums payable and obligations owed by the relevant Issuer under these presents in relation to the relative Notes, Receipts and Coupons, shall not be discharged except by complete performance of the obligations contained in these presents in relation to the relative Notes, Receipts and Coupons and is additional to, and not instead of, any security or other guarantee or indemnity at any time existing in favour of any person, whether from the relevant Guarantors or otherwise.
- (H) If any moneys shall become payable by the relevant Guarantors under this guarantee each of the relevant Guarantors shall not, so long as the same remain unpaid, without the prior written consent of the Trustee:
- (a) in respect of any amounts paid by it under this guarantee, exercise any rights of subrogation or contribution or, without limitation, any other right or remedy which may accrue to it in respect of or as a result of any such payment; or
  - (b) in respect of any other moneys for the time being due to the relevant Guarantors by the relevant Issuer, claim payment thereof or exercise any other right or remedy;

(including in either case claiming the benefit of any security or right of set-off or, on the liquidation of the relevant Issuer, proving in competition with the Trustee). If, notwithstanding the foregoing, upon the bankruptcy, insolvency or liquidation of the relevant Issuer any payment or distribution of assets of the relevant Issuer of any kind or character, whether in cash, property or securities, shall be received by the relevant Guarantors before payment in full of all principal of, and interest on, the relative Notes, Receipts and Coupons shall have been made to the relative Noteholders, Receiptholders and Couponholders, such payment or distribution shall be received by relevant Guarantors on trust to pay the same over immediately to the Trustee for application in or towards the payment of all sums due and unpaid under these presents in accordance with Clause 10 on the basis that Clause 10 does not apply separately and independently to each Series of the Notes save that nothing in this sub-clause (H) shall operate so as to create any charge by the relevant Guarantors over such payment or distribution.

**8. ENFORCEMENT AND NON-PAYMENT**

- (A) AT any time after the Notes shall have become immediately due and repayable, the Trustee may at its discretion and without further notice take such proceedings as it may think fit against the relevant Issuer and/or the relevant Guarantors to enforce repayment thereof together with accrued interest (if any) and any other moneys payable pursuant to these presents.
- (B) Proof that as regards any specified Note, Receipt or Coupon the relevant Issuer or, as the case may be, a relevant Guarantor has made default in paying any amount due in respect of such Note, Receipt or Coupon shall (unless the contrary be proved) be sufficient evidence that the same default has been made as regards all other Notes, Receipts or Coupons (as the case may be) in respect of which the relevant amount is due and payable.

**9. PROCEEDINGS, ACTION AND INDEMNIFICATION**

- (A) THE Trustee shall not be bound to take any proceedings mentioned in Clause 8(A) or any other action in relation to these presents unless respectively directed or requested to do so (i) by an Extraordinary Resolution or (ii) in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding and in either case then only if it shall be indemnified to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.
- (B) Only the Trustee may enforce the provisions of these presents. No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against any of the relevant Obligors to enforce the performance of any of the provisions of these presents unless the Trustee having become bound as aforesaid to take proceedings fails to do so within a reasonable period and such failure is continuing.

**10. APPLICATION OF MONEYS**

ALL moneys received by the Trustee under these presents from any of the relevant Obligors (including any moneys which represent principal or interest in respect of Notes, Receipts or Coupons which have become void under Condition 9) shall, unless and to the extent attributable, in the opinion of the Trustee, to a particular Series of the Notes issued by the relevant Issuer, be apportioned *pari passu* and rateably between each Series of the Notes issued by the relevant Issuer, and all moneys received by the Trustee under these presents from any of the relevant Obligors to the extent attributable in the opinion of the Trustee to a particular Series of the Notes issued by the relevant Issuer or which are apportioned to such Series as aforesaid, be held by the Trustee upon trust to apply them (subject to Clause 12):

FIRST in payment or satisfaction of all amounts then due and unpaid under Clauses 15 and/or 16(J) to the Trustee and/or any Appointee;

SECONDLY in or towards payment *pari passu* and rateably of all principal and interest then due and unpaid in respect of the Notes of that Series;

THIRDLY in or towards payment *pari passu* and rateably of all principal and interest then due and unpaid in respect of the Notes of each other Series issued by the relevant Issuer; and

FOURTHLY in payment of the balance (if any) to the relevant Issuer (without prejudice to, or liability in respect of, any question as to how such payment to the relevant Issuer shall be dealt with as between the relevant Issuer and any other person),

PROVIDED ALWAYS that any payment required to be made by the Trustee pursuant to these presents shall only be made subject to any applicable laws and regulations.

Without prejudice to this Clause 10, if the Trustee holds any moneys which represent principal or interest in respect of Notes, Receipts or Coupons issued by the relevant Issuer which have become void or in respect of which claims have been prescribed under Condition 9, the Trustee will hold such moneys on the above trusts.

#### **11. NOTICE OF PAYMENTS**

THE Trustee shall give notice to the relevant Noteholders in accordance with Condition 14 of the day fixed for any payment to them under Clause 10. Such payment may be made in accordance with Condition 6 and any payment so made shall be a good discharge to the Trustee.

#### **12. INVESTMENT BY TRUSTEE**

- (A) IF the amount of the moneys at any time available for the payment of principal and interest in respect of the Notes issued by the relevant Issuer under Clause 10 shall be less than 10 per cent. of the nominal amount of the Notes issued by such Issuer then outstanding the Trustee may at its discretion invest such moneys in some or one of the investments authorised below. The Trustee at its discretion may vary such investments and may accumulate such investments and the resulting income until the accumulations, together with any other funds for the time being under the control of the Trustee and available for such purpose, amount to at least 10 per cent. of the nominal amount of the Notes issued by such Issuer then outstanding and then such accumulations and funds shall be applied under Clause 10.
- (B) Any moneys which under the trusts of these presents ought to or may be invested by the Trustee may be invested in the name or under the control of the Trustee in any investments for the time being authorised by English law for the investment by trustees of trust moneys or in any other investments whether similar to the aforesaid or not which may be selected by the Trustee or by placing the same on deposit in the name or under the control of the Trustee at such bank or other financial institution and in such currency as the Trustee may think fit. If that bank or institution is the Trustee or a Subsidiary, holding or associated company of the Trustee, it need only account for an amount of interest equal to the amount of interest which would, at then current rates, be payable by it on such a deposit to an independent customer. The Trustee may at any time vary any such investments for or into other investments or convert any moneys so deposited into any other currency and shall not be responsible for any loss resulting from any such investments or deposits, whether due to depreciation in value, fluctuations in exchange rates or otherwise.

#### **13. PARTIAL PAYMENTS**

UPON any payment under Clause 10 (other than payment in full against surrender of a Note, Receipt or Coupon) the Note, Receipt or Coupon in respect of which such payment is made shall be produced to the Trustee or the Paying Agent by or through whom such payment is made (except in the case of a NGN) and the Trustee shall or shall cause such Paying Agent to enface thereon a memorandum of the amount and the date of payment but the Trustee may in any particular case dispense with such production and enfacement upon such indemnity being given as it shall think sufficient.

#### **14. COVENANTS**

- (A) EACH of the relevant Obligors covenants with the Trustee that, so long as any of the Notes remains outstanding it shall:
- (i) at all times carry on and conduct its affairs in a proper and efficient manner;

- (ii) so far as permitted by applicable law, give or procure to be given to the Trustee such opinions, certificates, information and evidence as it shall reasonably require and in such form as it shall reasonably require (including without limitation the procurement of all such certificates called for by the Trustee pursuant to Clause 16(C)) for the purpose of the discharge or exercise of the duties, trusts, powers, authorities and discretions vested in it under these presents or by operation of law;
- (iii) cause to be prepared in respect of each financial accounting period audited accounts in such form as will comply with the Companies Act 1985 of Great Britain;
- (iv) at all times keep proper books of account and allow the Trustee and any person appointed by the Trustee to whom it shall have no reasonable objection free access to such books of account at all reasonable times during normal business hours upon giving prior notice provided that an Event of Default has occurred or the Trustee certifies in writing to the relevant Issuer that it has reasonable grounds to believe that an Event of Default or a Potential Event of Default has occurred, might have occurred or is about to occur and such access is permitted by applicable law;
- (v) send to the Trustee (in addition to any copies to which it may be entitled as a holder of any securities of any of the relevant Obligors) two copies in English of every balance sheet, profit and loss account, report, circular and notice of general meeting issued or sent to holders of its publicly held securities as soon as practicable after the issue or publication thereof;
- (vi) upon becoming aware thereof forthwith give notice in writing to the Trustee of the happening of any Event of Default or any Potential Event of Default or of the coming into existence of any Security which would require any security to be given to the Notes pursuant to Condition 4;
- (vii) give to the Trustee (a) within 14 days after demand by the Trustee therefor and (b) (without the necessity for any such demand) promptly after the publication of its audited accounts in respect of each financial year commencing with the financial year ending 1st January, 2000 and in any event not later than 180 days after the end of each such financial year a certificate signed by two Directors of each of the relevant Obligors to the effect that as at a date not more than seven days before delivering such certificate (the “**relevant certification date**”) there did not exist and had not existed since the relevant certification date of the previous certificate (or in the case of the first such certificate the date hereof) any Event of Default or any Potential Event of Default (or if such exists or existed specifying the same);
- (viii) so far as permitted by law, at all times execute all such further documents and do all such acts and things as may in the reasonable opinion of the Trustee be necessary at any time or times to give effect to the terms and conditions of these presents;
- (ix) at all times maintain an Agent, other Paying Agents, a Calculation Agent and Reference Banks in accordance with the Conditions;
- (x) use its best endeavours to maintain the listing on the relevant Stock Exchange of those of the Notes which are listed on the relevant Stock Exchange or, if it is unable to do so having used its best endeavours or if the Trustee considers that the maintenance of such listing is unduly onerous whether as a result of the implementation of the EU Transparency Directive (directive 2004/109/EC of the European Parliament and of the Council on the Harmonisation of Transparency Requirements in relation to information about issuers whose securities are admitted to trading on a regulated market) or otherwise, the relevant Issuer and (where applicable) the relevant Guarantors may cease to maintain such listing provided that it

shall use its best endeavours promptly to obtain and maintain a listing of such Notes on such other stock exchange or exchanges or securities market or markets on which it is then accepted in the sphere of international issues of debt securities to list securities such as the Notes as the relevant Issuer and (where applicable) the relevant Guarantors may (with the approval of the Trustee (which approval of the Trustee may only be given if the Trustee has received confirmation from the relevant Dealer(s) in respect of such Notes that such other stock exchange or exchanges or securities market or markets is so accepted)) decide. Upon obtaining a listing of such Notes issued by it on such other stock exchange or exchanges or securities market or markets enter into a trust deed supplemental to this Trust Deed to effect such consequential amendments to these presents as the Trustee may require or as shall be requisite to comply with the requirements of any such stock exchange or securities market;

- (xi) procure that the Agent gives notice to the Noteholders in accordance with Condition 14 of any appointment, resignation or removal of any Agent, Calculation Agent, Reference Bank or other Paying Agent (other than the appointment of the initial Agent, Calculation Agent, Reference Banks and other Paying Agents) after having obtained the prior written approval of the Trustee thereto or any change of any Paying Agent's or Reference Bank's specified office;
- (xii) obtain the prior written approval of the Trustee to, and, as soon as reasonably practicable after the giving thereof, give to the Trustee two copies of, the form of every notice given to the holders of any Notes issued by it in accordance with Condition 14 (such approval, unless so expressed, not to constitute approval for the purposes of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**") of a communication within the meaning of Section 21 of the FSMA);
- (xiii) if payments of principal or interest in respect of the Notes or the relative Receipts or Coupons by any of the relevant Obligors shall become subject generally to the taxing jurisdiction of any territory or any political sub-division or any authority thereof or therein having power to tax other than or in addition to the United Kingdom or any political sub-division or any authority thereof or therein having power to tax, immediately upon becoming aware thereof notify the Trustee in writing of such event and (unless the Trustee otherwise agrees) enter forthwith into a trust deed supplemental to this Trust Deed, in form and manner satisfactory to the Trustee, such supplemental trust deed to modify Condition 8 and, if applicable, Condition 7(b) so that, in substitution for (or, as the case may be, addition to) the references in those Conditions to the United Kingdom or any political sub-division or any authority thereof or therein having power to tax, such Conditions make reference to that other or additional territory or any political sub-division or any authority thereof or therein having power to tax to whose taxing jurisdiction such payments shall have become subject as aforesaid;
- (xiv) comply with and perform all its obligations under the Agency Agreement and use all reasonable endeavours to procure that the Agent and the other Paying Agents comply with and perform all their respective obligations thereunder and any notice given by the Trustee pursuant to Clause 2(C)(i) and that the Calculation Agent complies with and performs all its obligations under the Calculation Agency Agreement and not make any amendment to the Agency Agreement or the Calculation Agency Agreement without the prior written approval of the Trustee;
- (xv) in order to enable the Trustee to ascertain the nominal amount of the Notes of each Series for the time being outstanding for any of the purposes referred to in the proviso to the definition of "**outstanding**" in Clause 1, deliver to the Trustee as soon as practicable upon being so requested in writing by the Trustee a certificate in writing

signed by two Directors of the relevant Issuer or two Directors of a relevant Guarantor (as appropriate), setting out the total number and aggregate nominal amount of the Notes of each Series issued by such Issuer which: (a) up to and including the date of such certificate have been purchased by the relevant Issuer, a relevant Guarantor or any Subsidiary or Holding Company of the relevant Issuer or a relevant Guarantor and cancelled; and (b) are at the date of such certificate held by, for the benefit of, or on behalf of, the relevant Issuer, a relevant Guarantor or any Subsidiary or Holding Company of the relevant Issuer or a relevant Guarantor;

- (xvi) if, in accordance with the provisions of the Conditions, interest in respect of the Notes becomes payable at the specified office of any Paying Agent in the United States of America promptly give notice thereof to the relative Noteholders in accordance with Condition 14;
- (xvii) use all reasonable endeavours to procure that Euroclear and/or Clearstream, Luxembourg (as the case may be) issue (s) any certificate or other document requested by the Trustee under Clause 3(E) as soon as practicable after such request;
- (xviii) promptly provide the Trustee with copies of all supplements and/or amendments and/or restatements of the Programme Agreement; and
- (xix) use all reasonable endeavours to procure that Euroclear and/or Clearstream, Luxembourg (as the case may be) issue (s) any record, certificate or other document requested by the Trustee under Clause 16(W) or otherwise as soon as practicable after such request.

PROVIDED that neither the relevant Issuer nor a relevant Guarantor shall be under any obligation to supply any information to the Trustee the supply of which would, in the reasonable opinion of the relevant Issuer or, as the case may be, such relevant Guarantor, be contrary to any confidentiality obligation or law or regulation binding on the relevant Issuer or, as the case may be, such relevant Guarantor or any affiliate of the relevant Issuer or, as the case may be, such relevant Guarantor or inside information (within the meaning of the Part V of the Criminal Justice Act 1993) unless the Trustee shall have certified in writing to the relevant Issuer or, as the case may be, such relevant Guarantor that:

- (i) it has reasonable grounds to believe that an Event of Default or Potential Event of Default has occurred, might have occurred or is about to occur; and
- (ii) the disclosure of any such information is, in the reasonable opinion of the Trustee, necessary for the purpose of protecting the interests of the Noteholders under these presents,

and provided that any such disclosure to the Trustee would not breach any law or regulation binding on the relevant Issuer or, as the case may be, such relevant Guarantor or any affiliate of the relevant Issuer or, as the case may be, such relevant Guarantor.

## **15. REMUNERATION AND INDEMNIFICATION OF TRUSTEE**

- (A) THE relevant Issuer shall pay to the Trustee remuneration for its services as trustee of these presents such amount as shall be agreed from time to time between the relevant Issuer and the Trustee. Such remuneration shall accrue from day to day and be payable (in priority to payments to Noteholders, Receiptholders and Couponholders) up to and including the date when, all the Notes having become due for redemption, the redemption moneys and interest thereon to the date of redemption have been paid to the Agent or the Trustee PROVIDED



THAT if upon due presentation of any Note, Receipt or Coupon or any cheque payment of the moneys due in respect thereof is improperly withheld or refused, remuneration will commence again to accrue until payment to such Noteholder, Receiptholder or Couponholder is duly made.

- (B) In the event of the occurrence of an Event of Default or a Potential Event of Default or the Trustee considering it expedient or necessary or being requested by any of the relevant Obligors to undertake duties which the Trustee and the relevant Issuer agree to be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under these presents the relevant Issuer shall pay to the Trustee such additional remuneration as shall be agreed between them.
- (C) The relevant Issuer shall in addition pay to the Trustee an amount equal to the amount of any value added tax or similar tax properly chargeable in respect of its remuneration under these presents.
- (D) In the event of the Trustee and the relevant Issuer failing to agree:
  - (1) (in a case to which sub-clause (A) above applies) upon the amount of the remuneration; or
  - (2) (in a case to which sub-clause (B) above applies) upon whether such duties shall be of an exceptional nature or otherwise outside the scope of the normal duties of the Trustee under these presents, or upon such additional remuneration,

such matters shall be determined by a merchant or investment bank (acting as an expert and not as an arbitrator) selected by the Trustee and approved by the relevant Issuer or, failing such approval, nominated (on the application of the Trustee) by the President for the time being of The Law Society of England and Wales (the expenses involved in such nomination and the fees of such merchant or investment bank being payable by the relevant Issuer and the Trustee in equal shares) and the determination of any such merchant or investment bank shall be final and binding upon the Trustee and the relevant Issuer.

- (E) The relevant Issuer shall, on written request, also pay or discharge all Liabilities properly and reasonably incurred by the Trustee in relation to the preparation and execution of, the exercise of its powers and the performance of its duties under, and in any other manner in relation to, these presents, including but not limited to travelling expenses and any stamp, issue, registration, documentary and other taxes or duties paid or payable by the Trustee in connection with any action properly and reasonably taken or contemplated by or on behalf of the Trustee for enforcing, or resolving any doubt concerning, or for any other purpose in relation to, these presents.
- (F) All amounts payable pursuant to sub-clause (E) above and/or Clause 16(J) shall be payable by the relevant Issuer on the date specified in a demand by the Trustee and in the case of payments actually made by the Trustee prior to such demand shall (if not paid within three days after such demand and the Trustee so requires) carry interest at the rate of one per cent. per annum above the Base Rate from time to time of National Westminster Bank Plc from the date specified in such demand, and in all other cases shall carry interest at such rate from the date 30 days after the date of the same being demanded or (where the demand specifies that payment be made on an earlier date) from such earlier date specified in such demand. All unpaid remuneration due and payable to the Trustee shall carry interest at such rate from the due date therefor.
- (G) Unless otherwise specifically stated in any discharge of these presents the provisions of this Clause and Clause 16(J) shall continue in full force and effect notwithstanding such discharge.

- (H) The Trustee shall be entitled in its absolute discretion to determine in respect of which Series of Notes any Liabilities incurred under these presents have been incurred or to allocate any such Liabilities between the Notes of any Series.
- (I) The Trustee shall wherever practicable give prior notice to the relevant Issuer of any Liabilities properly and reasonably to be incurred and or payments to be made by the Trustee in the lawful exercise of the powers conferred on it by these presents so as to afford the relevant Issuer the reasonable opportunity of meeting such Liabilities itself or of itself putting the Trustee in funds to make payment of such Liabilities. Failure, however, by the Trustee to give any such prior notice shall not prejudice its rights to reimbursement of such Liabilities under this Clause 15.
- (J) In relation to any payment by the Trustee of any Liabilities incurred under these presents, the Trustee will, if so requested by the relevant Issuer, furnish the relevant Issuer with evidence of the date of such payment in the form of a receipted invoice or in such other form as shall be reasonably satisfactory to the Issuer.

## **16. SUPPLEMENT TO TRUSTEE ACTS**

SECTION 1 of the Trustee Act 2000 shall not apply to the duties of the Trustee in relation to the trusts constituted by these presents. Where there are any inconsistencies between the Trustee Acts and the provisions of these presents, the provisions of these presents shall, to the extent allowed by law, prevail and, in the case of any such inconsistency with the Trustee Act 2000, the provisions of these presents shall constitute a restriction or exclusion for the purposes of that Act. The Trustee shall have all the powers conferred upon trustees by the Trustee Acts and by way of supplement thereto it is expressly declared as follows:

- (A) The Trustee may in relation to these presents act on the advice or opinion of or any information obtained from any lawyer, valuer, accountant, surveyor, banker, broker, auctioneer or other expert whether obtained by any of the relevant Obligors, the Trustee or otherwise and shall not be responsible for any Liability occasioned by so acting. The Trustee may rely, without liability to the Noteholders, Receiptholders or Couponholders, on any certificate or report prepared by the Auditors pursuant to these presents whether or not addressed to the Trustee.
- (B) Any such advice, opinion or information may be sent or obtained by letter, telex, telegram, facsimile transmission or cable and the Trustee shall not be liable for acting in good faith on any advice, opinion or information purporting to be conveyed by any such letter, telex, telegram, facsimile transmission or cable although the same shall contain some error or shall not be authentic provided that such error or lack of authenticity shall not be manifest.
- (C) The Trustee may call for and shall be at liberty to accept as sufficient evidence of any fact or matter or the expediency of any transaction or thing a certificate signed by any two Directors of the relevant Issuer or by any two Directors of a relevant Guarantor, and the Trustee shall not be bound in any such case to call for further evidence or be responsible for any Liability that may be occasioned by it or any other person acting on such certificate.
- (D) The Trustee shall be at liberty to hold or to place these presents and any other documents relating thereto or to deposit them in any part of the world with any banker or banking company or company whose business includes undertaking the safe custody of documents or lawyer or firm of lawyers considered by the Trustee to be of good repute and the Trustee shall not be responsible for or required to insure

against any Liability incurred in connection with any such holding or deposit and may pay all sums required to be paid on account of or in respect of any such deposit.

- (E) The Trustee shall not be responsible for the receipt or application of the proceeds of the issue of any of the Notes by the relevant Issuer, the exchange of any Global Note for another Global Note or Definitive Notes or the delivery of any Global Note or Definitive Notes to the person(s) entitled to it or them.
- (F) The Trustee shall not be bound to give notice to any person of the execution of any documents comprised or referred to in these presents or to take any steps to ascertain whether any Event of Default or any Potential Event of Default has occurred and, until it shall have actual knowledge or express notice pursuant to these presents to the contrary, the Trustee shall be entitled to assume that no Event of Default or Potential Event of Default has occurred and that each of the relevant Obligors is observing and performing all its obligations under these presents.
- (G) Save as expressly otherwise provided in these presents, the Trustee shall have absolute and uncontrolled discretion as to the exercise or non-exercise of its trusts, powers, authorities and discretions under these presents (the exercise or non-exercise of which as between the Trustee and the Noteholders, the Receiptholders and Couponholders shall be conclusive and binding on the Noteholders, the Receiptholders and Couponholders) and shall not be responsible for any Liability which may result from their exercise or non-exercise.
- (H) The Trustee shall not be liable to any person by reason of having acted upon any Extraordinary Resolution in writing or any Extraordinary Resolution or other resolution purporting to have been passed at any meeting of the holders of Notes of all or any Series in respect whereof minutes have been made and signed even though subsequent to its acting it may be found that there was some defect in the constitution of the meeting or the passing of the resolution, (in the case of an Extraordinary Resolution in writing) that not all such holders had signed the Extraordinary Resolution or that for any reason the resolution was not valid or binding upon such holders and the relative Receiptholders and Couponholders.
- (I) The Trustee shall not be liable to any person by reason of having accepted as valid or not having rejected any Note, Receipt or Coupon purporting to be such and subsequently found to be forged or not authentic provided that such forgery or lack of authenticity shall not be manifest.
- (J) Without prejudice to the right of indemnity by law given to trustees, each of the relevant Obligors shall indemnify the Trustee and every Appointee and keep it or him indemnified against all Liabilities to which it or he may be or become subject or which may be properly and reasonably incurred by it or him in the execution or purported execution of any of its or his trusts, powers, authorities and discretions under these presents or its or his functions under any such appointment or in respect of any other matter or thing done or omitted in any way relating to these presents or any such appointment.
- (K) Any consent or approval given by the Trustee for the purposes of these presents may be given on such terms and subject to such conditions (if any) as the Trustee thinks fit and notwithstanding anything to the contrary in these presents may be given retrospectively.
- (L) The Trustee shall not (unless and to the extent ordered so to do by a court of competent jurisdiction) disclose to any Noteholder, Receiptholder or Couponholder any information (including, without limitation, information of a confidential,

financial or price sensitive nature) made available to the Trustee by any of the relevant Obligor or any other person in connection with the trusts of these presents unless, after prior consultation with the relevant Issuer if the Trustee considers this reasonably practicable, the Trustee shall certify that failure so to disclose would be materially prejudicial to the interests of the Noteholders and such disclosure is permitted by applicable law and (in the absence of such certification and permission) no Noteholder, Receiptholder or Couponholder shall be entitled to take any action to obtain from the Trustee any such information.

- (M) Where it is necessary or desirable for any purpose in connection with these presents to convert any sum from one currency to another it shall (unless otherwise provided by these presents or required by law) be converted at such rate or rates, in accordance with such method and as at such date for the determination of such rate of exchange, as may be agreed by the Trustee in consultation with the relevant Issuer and any rate, method and date so agreed shall be binding on the relevant Obligor, the Noteholders, the Receiptholders and the Couponholders.
- (N) The Trustee as between itself and the Noteholders, the Receiptholders and the Couponholders may determine all questions and doubts arising in relation to any of the provisions of these presents. Every such determination, whether or not relating in whole or in part to the acts or proceedings of the Trustee, shall be conclusive and shall bind the Trustee and the Noteholders, the Receiptholders and the Couponholders.
- (O) In connection with the exercise by it of any of its trusts, powers, authorities or discretions under these presents (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory or any political subdivision thereof and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the relevant Obligor, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, the Receiptholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition thereto or in substitution therefor under these presents.
- (P) Any trustee of these presents being a lawyer, accountant, broker or other person engaged in any profession or business shall be entitled to charge and be paid all usual and proper professional and other charges for business transacted and acts done by him or his firm in connection with the trusts of these presents and also his reasonable charges in addition to disbursements for all other work and business done and all time spent by him or his firm in connection with matters arising in connection with these presents.
- (Q) The Trustee may (upon prior notification to, and after prior consultation with, the relevant Issuer where the Trustee considers such consultation to be reasonably practicable) whenever it thinks fit delegate by power of attorney or otherwise to any person or persons or fluctuating body of persons (whether being a joint trustee of these presents or not) all or any of its trusts, powers, authorities and discretions vested in the Trustee by these presents. Such delegation may be made upon such terms

(including power to sub-delegate) and subject to such conditions and regulations as the Trustee may in the interests of the Noteholders think fit. Provided that the Trustee shall have exercised reasonable care in the selection of any such delegate, the Trustee shall not be under any obligation to supervise the proceedings or acts of any such delegate or sub-delegate or be in any way responsible for any Liability incurred by reason of any misconduct or default on the part of any such delegate or sub-delegate. The Trustee shall within a reasonable time after any such delegation or any renewal, extension or termination thereof give notice thereof to the relevant Issuer.

- (R) The Trustee may in the conduct of the trusts of these presents (upon prior notification to, and after prior consultation with, the relevant Issuer where the Trustee considers such consultation to be reasonably practicable) instead of acting personally employ and pay an agent (whether being a lawyer or other professional person) to transact or conduct, or concur in transacting or conducting, any business and to do, or concur in doing, all acts required to be done in connection with these presents (including the receipt and payment of money). Provided that the Trustee shall have exercised reasonable care in the selection of any such agent, the Trustee shall not be in any way responsible for any Liability incurred by reason of any misconduct or default on the part of any such agent or be bound to supervise the proceedings or acts of any such agent.
- (S) The Trustee shall not be responsible to any person for failing to request, require or receive any legal opinion relating to any Notes or for checking or commenting upon the content of any such legal opinion.
- (T) The Trustee shall not be concerned, and need not enquire, as to whether or not any Notes are issued in breach of the Programme Limit.
- (U) The Trustee shall not be liable to any person by reason of having accepted as valid or not having rejected any document and/or evidence and/or information and/or certification purporting to be issued or given by Euroclear and/or Clearstream, Luxembourg whether pursuant to Clause 3(E) or otherwise and subsequently found to be forged or not authentic.
- (V) Any certificate or report of the Auditors or any other person called for by or provided to the Trustee in accordance with or for the purposes of these presents may be relied upon by the Trustee as sufficient evidence of the facts stated therein whether or not such certificate or report and/or any engagement letter or other document entered into by the Trustee in connection therewith contains a monetary or other limit on the liability of the Auditors or such other person in respect thereof. However, the Trustee will have no recourse to the Auditors in respect of such certificates or reports unless the Auditors have agreed to address such certificates or reports to the Trustees.
- (W) The Trustee may call for and shall rely on any records, certificate or other document of or to be issued by Euroclear or Clearstream, Luxembourg in relation to any determination of the principal amount of Notes represented by a NGN. Any such records, certificate or other document shall be conclusive and binding for all purposes. The Trustee shall not be liable to any person by reason of having accepted as valid or not having rejected any such records, certificate or other document to such effect purporting to be issued by Euroclear or Clearstream, Luxembourg and subsequently found to be forged or not authentic.

## 17. TRUSTEE'S LIABILITY

NOTHING in these presents shall in any case in which the Trustee has failed to show the degree of care and diligence required of it as trustee having regard to the provisions of these

presents conferring on it any trusts, powers, authorities or discretions exempt the Trustee from or indemnify it against any liability for breach of trust or any liability which by virtue of any rule of law would otherwise attach to it in respect of any negligence, default, breach of duty or breach of trust of which it may be guilty in relation to its duties under these presents.

#### **18. TRUSTEE CONTRACTING WITH THE RELEVANT OBLIGORS**

NEITHER the Trustee (which for the purpose of this Clause shall include the Holding Company of any corporation acting as trustee hereof or any Subsidiary of such Holding Company) nor any director or officer or Holding Company, Subsidiary or associated company of a corporation acting as a trustee under these presents shall by reason of its or his fiduciary position be in any way precluded from:

- (i) entering into or being interested in any contract or financial or other transaction or arrangement with any of the relevant Obligors or any person or body corporate associated with any of the relevant Obligors (including without limitation any contract, transaction or arrangement of a banking or insurance nature or any contract, transaction or arrangement in relation to the making of loans or the provision of financial facilities or financial advice to, or the purchase, placing or underwriting of or the subscribing or procuring subscriptions for or otherwise acquiring, holding or dealing with, or acting as paying agent in respect of, the Notes or any other notes, bonds, stocks, shares, debenture stock, debentures or other securities of, any of the relevant Obligors or any person or body corporate associated as aforesaid); or
- (ii) accepting or holding the trusteeship of any other trust deed constituting or securing any other securities issued by or relating to any of the relevant Obligors or any such person or body corporate so associated or any other office of profit under any of the relevant Obligors or any such person or body corporate so associated,

and each shall be entitled to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such contract, transaction or arrangement as is referred to in (i) above or, as the case may be, any such trusteeship or office of profit as is referred to in (ii) above without regard to the interests of the Noteholders and notwithstanding that the same may be contrary or prejudicial to the interests of the Noteholders and shall not be responsible for any Liability occasioned to the Noteholders thereby and shall be entitled to retain and shall not be in any way liable to account for any profit made or share of brokerage or commission or remuneration or other amount or benefit received thereby or in connection therewith.

Where any holding company, Subsidiary or associated company of the Trustee or any director or officer of the Trustee acting other than in his capacity as such a director or officer has any information, the Trustee shall not thereby be deemed also to have knowledge of such information and, unless it shall have actual knowledge of such information, shall not be responsible for any loss suffered by Noteholders resulting from the Trustee's failing to take such information into account in acting or refraining from acting under or in relation to these presents.

#### **19. WAIVER, AUTHORISATION AND DETERMINATION**

- (A) THE Trustee may without the consent or sanction of the Noteholders, the Receiptholders or the Couponholders and without prejudice to its rights in respect of any subsequent breach, Event of Default or Potential Event of Default from time to time and at any time but only if and in so far as in its opinion the interests of the Noteholders shall not be materially prejudiced thereby waive or authorise any breach or proposed breach by any of the relevant Obligors of any of the covenants or provisions contained in these presents or determine that any Event of Default or Potential Event of Default shall not be treated as such for the

purposes of these presents PROVIDED ALWAYS THAT the Trustee shall not exercise any powers conferred on it by this Clause in contravention of any express direction given by Extraordinary Resolution or by a request under Condition 10 but so that no such direction or request shall affect any waiver, authorisation or determination previously given or made. Any such waiver, authorisation or determination may be given or made on such terms and subject to such conditions (if any) as the Trustee may determine, shall be binding on the Noteholders, the Receiptholders and the Couponholders and, if, but only if, the Trustee shall so require, shall be notified by the relevant Issuer to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

#### **MODIFICATION**

- (B) The Trustee may without the consent or sanction of the Noteholders, the Receiptholders or the Couponholders at any time and from time to time concur with the relevant Obligors in making any modification (i) to these presents (other than the proviso to paragraph 5 of the Third Schedule or any matters referred to in that proviso) which in the opinion of the Trustee it may be proper to make PROVIDED THAT the Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Noteholders or (ii) to these presents if in the opinion of the Trustee such modification is of a formal, minor or technical nature or to correct a manifest error or to comply with mandatory provisions of applicable law. Any such modification may be made on such terms and subject to such conditions (if any) as the Trustee may determine, shall be binding upon the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee agrees otherwise, shall be notified by the relevant Issuer to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

#### **BREACH**

- (C) Any breach of or failure to comply with any such terms and conditions as are referred to in sub-clauses (A) and (B) of this Clause shall constitute a default by the relevant Issuer or, as the case may be, a relevant Guarantor in the performance or observance of a covenant or provision binding on it under or pursuant to these presents.

#### **20. HOLDER OF DEFINITIVE NOTE ASSUMED TO BE RECEIPTHOLDER AND COUPONHOLDER**

- (A) WHEREVER in these presents the Trustee is required or entitled to exercise a power, trust, authority or discretion under these presents, except as ordered by a court of competent jurisdiction or as required by applicable law, the Trustee shall, notwithstanding that it may have express notice to the contrary, assume that each Noteholder is the holder of all Receipts and Coupons appertaining to each Definitive Note of which he is the holder.

#### **NO NOTICE TO RECEIPTHOLDERS OR COUPONHOLDERS**

- (B) Neither the Trustee nor the relevant Issuer shall be required to give any notice to the Receiptholders or Couponholders for any purpose under these presents and the Receiptholders or Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Definitive Notes in accordance with Condition 14.

#### **21. CURRENCY INDEMNITY**

EACH of the relevant Obligors shall severally indemnify the Trustee, every Appointee, the Noteholders, the Receiptholders and the Couponholders and keep them indemnified against:

- (a) any loss or damage incurred by any of them arising from the non-payment by any of the relevant Obligors of any amount due to the Trustee or the holders of the Notes issued by the relevant Issuer and the relative Receiptholders or Couponholders under

these presents by reason of any variation in the rates of exchange between those used for the purposes of calculating the amount due under a judgment or order in respect thereof and those prevailing at the date of actual payment by such relevant Obligor; and

- (b) any deficiency arising or resulting from any variation in rates of exchange between (i) the date as of which the local currency equivalent of the amounts due or contingently due under these presents (other than this Clause) is calculated for the purposes of any bankruptcy, insolvency or liquidation of any of the relevant Obligor and (ii) the final date for ascertaining the amount of claims in such bankruptcy, insolvency or liquidation. The amount of such deficiency shall be deemed not to be reduced by any variation in rates of exchange occurring between the said final date and the date of any distribution of assets in connection with any such bankruptcy, insolvency or liquidation.

The above indemnities shall constitute obligations of the relevant Obligor separate and independent from their other obligations under the other provisions of these presents and shall apply irrespective of any indulgence granted by the Trustee or the Noteholders, the Receiptholders or the Couponholders from time to time and shall continue in full force and effect notwithstanding the judgment or filing of any proof or proofs in any bankruptcy, insolvency or liquidation of any of the relevant Obligor for a liquidated sum or sums in respect of amounts due under these presents (other than this Clause). Any such deficiency as aforesaid shall be deemed to constitute a loss suffered by the Noteholders, the Receiptholders and the Couponholders and no proof or evidence of any actual loss shall be required by such relevant Obligor or its liquidator or liquidators.

If the amount receivable by the Trustee or the Noteholders, Receiptholders or Couponholders if converted on the relevant date for payment into the relevant currency of payment would yield a sum in excess of that due in such relevant currency of payment, the Trustee shall hold such excess to the order of the relevant Issuer or, as the case may be, the other person making payment.

## **22. NEW TRUSTEE**

- (A) THE power to appoint a new trustee of these presents shall be vested in the Issuers jointly but no person shall be appointed who shall not previously have been approved by an Extraordinary Resolution. One or more persons may hold office as trustee or trustees of these presents but such trustee or trustees shall be or include a Trust Corporation. Whenever there shall be more than two trustees of these presents the majority of such trustees shall be competent to execute and exercise all the duties, powers, trusts, authorities and discretions vested in the Trustee by these presents provided that a Trust Corporation shall be included in such majority. Any appointment of a new trustee of these presents shall as soon as practicable thereafter be notified by the Issuers to the Agent and the Noteholders.

### **SEPARATE AND CO-TRUSTEES**

- (B) Notwithstanding the provisions of sub-clause (A) above, the Trustee may, upon giving prior written notice to, and after prior consultation with, all the relevant Obligor where the Trustee considers such consultation to be reasonably practicable but without the consent of the relevant Obligor, the Noteholders, the Receiptholders or the Couponholders), appoint any person established or resident in any jurisdiction (whether a Trust Corporation or not) to act either as a separate trustee or as a co-trustee jointly with the Trustee:
  - (i) if the Trustee considers such appointment to be in the interests of the Noteholders;



- (ii) for the purposes of conforming to any legal requirements, restrictions or conditions in any jurisdiction in which any particular act or acts is or are to be performed; or
- (iii) for the purposes of obtaining a judgment in any jurisdiction or the enforcement in any jurisdiction of either a judgment already obtained or any of the provisions of these presents against any of the relevant Obligors.

The relevant Issuer irrevocably appoints the Trustee to be its attorney in its name and on its behalf to execute any such instrument of appointment. Such a person shall (subject always to the provisions of these presents) have such trusts, powers, authorities and discretions (not exceeding those conferred on the Trustee by these presents) and such duties and obligations as shall be conferred or imposed by the instrument of appointment. The Trustee shall have power in like manner to remove any such person. Such reasonable remuneration as the Trustee may pay to any such person, together with any attributable costs, charges and expenses properly and reasonably incurred by it in performing its function as such separate trustee or co-trustee, shall for the purposes of these presents be treated as costs, charges and expenses incurred by the Trustee.

### **23. TRUSTEE'S RETIREMENT AND REMOVAL**

A trustee of these presents may retire at any time on giving not less than three months' prior written notice to the Issuers without giving any reason and without being responsible for any Liabilities incurred by reason of such retirement. The Noteholders shall have the power exercisable by Extraordinary Resolution to remove any trustee or trustees for the time being of these presents. The Issuers jointly undertake that in the event of the only trustee of these presents which is a Trust Corporation giving notice under this Clause or being removed by Extraordinary Resolution they will use all reasonable endeavours to procure that a new trustee of these presents being a Trust Corporation is appointed as soon as reasonably practicable thereafter. The retirement or removal of any such trustee shall not become effective until a successor trustee being a Trust Corporation is appointed.

### **24. TRUSTEE'S POWERS TO BE ADDITIONAL**

THE powers conferred upon the Trustee by these presents shall be in addition to any powers which may from time to time be vested in the Trustee by the general law or as a holder of any of the Notes, Receipts or Coupons.

### **25. SUBSTITUTION**

- (A) (1) THE Trustee may, without the consent of the Noteholders, Receiptholders or Couponholders, at any time agree with CSF, CSI and Cadbury Holdings to the substitution in place of CSF or CSI (or of the previous substitute under this Clause) as the principal debtor under these presents of (a) another Subsidiary of Cadbury Holdings, (b) any relevant Obligor or its Successor in Business (in which case the guarantee of such Obligor shall cease and determine), (c) a Subsidiary of a Holding Company of Cadbury Holdings or its Successor in Business or (d) a Holding Company of Cadbury Holdings or its Successor in Business (in each of which cases (c) and (d) the guarantee of Cadbury Holdings shall cease and determine if the Trustee is satisfied that the interests of the Noteholders will not be materially prejudiced if they became holders of Notes of such Subsidiary or Holding Company without the benefit of the guarantee of Cadbury Holdings rather than if they were to remain holders of Notes of CSF or, as the case may be, CSI with the benefit of the guarantee of Cadbury Holdings (such substituted company being hereinafter called the "**New Company**") provided that a trust deed is executed or some other form of undertaking is given by the New Company in form and manner satisfactory to the Trustee, agreeing to be bound by the provisions of these presents with any

consequential amendments which the Trustee may deem appropriate as fully as if the New Company had been named in these presents as the principal debtor in place of CSF or, as the case may be, CSI (or of the previous substitute under this Clause) and provided further that, where the New Company is another Subsidiary of Cadbury Holdings, Cadbury Holdings unconditionally and irrevocably guarantees all amounts payable under these presents to the satisfaction of the Trustee.

(2) The following further conditions shall apply to (1) above:

- (i) CSF, CSI, Cadbury Holdings and the New Company shall comply with such other requirements as the Trustee may direct in the interests of the Noteholders;
- (ii) where the New Company is incorporated, domiciled or resident in, or subject generally to the taxing jurisdiction of, a territory other than or in addition to the United Kingdom or any political sub-division or any authority therein or thereof having power to tax, Condition 8 and, if applicable, Condition 7(b) shall be modified so that, in substitution for (or, as the case may be, addition to) the references to the United Kingdom or any political sub-division or any authority therein or thereof having power to tax, such Conditions make reference to that other or additional territory or any political sub-division or any authority therein or thereof having power to tax in which the New Company is incorporated, domiciled or resident or to whose taxing jurisdiction it is subject;
- (iii) without prejudice to the rights of reliance of the Trustee under the immediately following paragraph (iv), the Trustee is satisfied that the relevant transaction is not materially prejudicial to the interests of the Noteholders; and
- (iv) if two Directors of the New Company (or other officers acceptable to the Trustee) shall certify that the New Company is solvent at the time at which the relevant transaction is proposed to be effected (which certificate the Trustee may rely upon absolutely) the Trustee shall not be under any duty to have regard to the financial condition, profits or prospects of the New Company or to compare the same with those of CSF or, as the case may be, CSI or the previous substitute under this Clause as applicable.

(B) (1) The Trustee may, without the consent of the Noteholders, Receiptholders or Couponholders, at any time agree with Cadbury Holdings to the substitution in place of Cadbury Holdings (or of any previous substitute under this Clause) as the guarantor under these presents of (a) a Successor in Business to Cadbury Holdings, (b) a Holding Company of Cadbury Holdings or (c) a Subsidiary of Cadbury Holdings which is acceptable to the Trustee (such substituted company being hereinafter called the "**New Guarantor**") provided that a trust deed is executed or some other form of undertaking is given by the New **Guarantor** in form and manner satisfactory to the Trustee, agreeing to be bound by the provisions of these presents with any consequential amendments which the Trustee may deem appropriate as fully as if the New **Guarantor** had been named in these presents, the guarantor in place of Cadbury Holdings (or of the previous substitute under this Clause).

(2) The following further conditions shall apply to (1) above:

- (i) CSF, CSI, Cadbury Holdings and the New Guarantor shall comply with such other requirements as the Trustee may direct in the interests of the Noteholders;

- (ii) where the New Guarantor is incorporated, domiciled or resident in, or subject generally to the taxing jurisdiction of, a territory other than or in addition to the United Kingdom or any political sub-division or any authority therein or thereof having power to tax, Condition 8 and, if applicable, Condition 7(b) shall be modified so that, in substitution for (or, as the case may be, addition to) the references to the United Kingdom or any political subdivision or any authority therein or thereof having power to tax, such Conditions make reference to that other or additional territory or any political subdivision or any authority therein or thereof having power to tax in which the New Guarantor is incorporated, domiciled or resident or to whose taxing jurisdiction it is subject;
  - (iii) without prejudice to the rights of reliance of the Trustee under the immediately following paragraph (iv), the Trustee is satisfied that the relevant transaction is not materially prejudicial to the interests of the Noteholders; and
  - (iv) if two Directors of the New Guarantor (or other officers acceptable to the Trustee) shall certify that the New Guarantor is solvent at the time at which the relevant transaction is proposed to be effected (which certificate the Trustee may rely upon absolutely) the Trustee shall not be under any duty to have regard to the financial condition, profits or prospects of the New Guarantor or to compare the same with those of Cadbury Holdings or the previous substitute under this Clause, as applicable.
- (C) Any such trust deed or undertaking shall, if so expressed, operate to release the company being substituted or the previous substitute as aforesaid from all of its obligations as principal debtor or guarantor under these presents. As soon as reasonably practicable but in any event not later than 21 days after the execution of such documents and compliance with such requirements, the New Company or the New Guarantor, as the case may be shall give notice thereof in a form previously approved by the Trustee to the Noteholders in the manner provided in Condition 14. Upon the execution of such documents and compliance with such requirements, the New Company shall be deemed to be named in these presents as the principal debtor and the New Guarantor shall be deemed to be named in these presents as a guarantor in place of the company being substituted (or in place of the previous substitute under this Clause) under these presents and these presents shall be deemed to be modified in such manner as shall be necessary to give effect to the above provisions and, without limitation, references in these presents to the relevant Issuer or, as the case may be, Cadbury Holdings shall, unless the context otherwise requires, be deemed to be or include references to the New Company or the New Guarantor, as the case may be.

## 26. NOTICES

ANY notice or demand to Cadbury Holdings, CSF, CSI or the Trustee required to be given, made or served for any purposes under these presents shall be given, made or served by sending the same by pre-paid post (first class if inland, first class airmail if overseas) or facsimile transmission or by delivering it by hand as follows:

to Cadbury Holdings: Cadbury House  
Sanderson Road  
Uxbridge  
Middlesex UB8 1DH  
England  
  
(Attention: the Company Secretary)  
Facsimile No. 01895 615 001

to CSF: Cadbury House  
Sanderson Road  
Uxbridge  
Middlesex UB8 1DH  
England  
  
(Attention: the Company Secretary)  
Facsimile No. 01895 615 001

Copy to Cadbury Holdings

to CSI: Cadbury House  
Sanderson Road  
Uxbridge  
Middlesex UB8 1DH  
England  
  
(Attention: the Company Secretary)  
Facsimile No. 01895 615 001

Copy to Cadbury Holdings

to the Trustee: Fifth Floor  
100 Wood Street  
London EC2V 7EX  
England  
  
(Attention: The Manager, Commercial Trusts)  
Facsimile No. 020 7696 5261

or to such other address or facsimile number as shall have been notified (in accordance with this Clause) to the other parties hereto and any notice or demand sent by post as aforesaid shall be deemed to have been given, made or served 48 hours in the case of inland post or five days in the case of overseas post after despatch and any notice or demand sent by facsimile transmission as aforesaid shall be deemed to have been given, made or served 24 hours after the time of despatch provided that in the case of a notice or demand given by facsimile transmission such notice or demand shall forthwith be confirmed by post. The failure of the addressee to receive such confirmation shall not invalidate the relevant notice or demand given by facsimile transmission.

**27. GOVERNING LAW**

THESE presents are governed by, and shall be construed in accordance with, English law.

**28. COUNTERPARTS**

THIS Trust Deed and any trust deed supplemental hereto may be executed and delivered in any number of counterparts, all of which, taken together, shall constitute one and the same deed and any party to this Trust Deed or any trust deed supplemental hereto may enter into the same by executing and delivering a counterpart.

**29. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

A person who is not a party to this Trust Deed or any trust deed supplemental hereto has no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Trust Deed or any trust deed supplemental hereto, but this does not affect any right or remedy of a third party which exists or is available apart from that Act.

IN WITNESS whereof this Trust Deed has been executed as a deed by Cadbury Holdings, CSF, CSI and the Trustee and delivered on the date stated on page 1.

**THE FIRST SCHEDULE**  
TERMS AND CONDITIONS OF THE NOTES

## TERMS AND CONDITIONS OF THE NOTES

The following are the Terms and Conditions of the Notes which will be incorporated by reference into each Global Note (as defined below) and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the relevant Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms in relation to any Tranche of Notes may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the following Terms and Conditions, replace or modify the following Terms and Conditions for the purpose of such Notes. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each Global Note and definitive Note. Reference should be made to "Form of the Notes" for a description of the content of Final Terms which will specify which of such terms are to apply in relation to the relevant Notes.

This Note is one of a Series (as defined below) of Notes issued by Cadbury Schweppes Finance p.l.c. ("CSF") or Cadbury Schweppes Investments plc ("CSI" and, together with CSF in its capacity as Issuer, the "Issuers" and each an "Issuer") constituted by a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "Trust Deed") dated 26th May, 1999 made between Cadbury Holdings Limited ("Cadbury Holdings"), CSF, CSI and The Law Debenture Trust Corporation p.l.c. (the "Trustee", which expression shall include any successor as trustee).

References herein to the "Notes" shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note (a "Global Note"), units of each Specified Denomination in the Specified Currency;
- (ii) any Global Note; and
- (iii) any definitive Notes issued in exchange for a Global Note.

References herein to the "relevant Issuer" shall be to the Issuer of the Notes named as such in the applicable Final Terms (as defined below).

Pursuant to the Trust Deed the payment of all amounts payable in respect of Notes, Receipts (as defined below) and Coupons (as defined below) issued by CSF will be unconditionally and irrevocably guaranteed by Cadbury Holdings and CSI and the payment of all amounts payable in respect of Notes, Receipts and Coupons issued by CSI will be unconditionally and irrevocably guaranteed by Cadbury Holdings and CSF. With respect to any Note, references to the "relevant Obligor(s)" are to the relevant Issuer and the guarantors, if any, of such Note.

The Notes, the Receipts and the Coupons have the benefit of an Agency Agreement (such Agency Agreement as amended and/or supplemented and/or restated from time to time, the "Agency Agreement") dated 24 June, 2008, and made between Cadbury Holdings, CSF, CSI, The Bank of New York as issuing and principal paying agent and agent bank (the "Agent", which expression shall include any successor agent), the other paying agents named therein (together with the Agent, the "Paying Agents", which expression shall include any additional or successor paying agents) and the Trustee.

Interest bearing definitive Notes (unless otherwise indicated in the applicable Final Terms) have interest coupons ("Coupons") and, if indicated in the applicable Final Terms, talons for further Coupons ("Talons") attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Definitive Notes repayable in instalments have receipts ("Receipts") for the payment of the instalments of principal (other than the final instalment) attached on issue. Global Notes do not have Receipts, Coupons or Talons attached on issue.

The Final Terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note which supplements these Terms and Conditions and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these Terms and Conditions, replace or modify these Terms and Conditions for the purposes of this Note. References to the "applicable Final Terms" are to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders for the time being of the Notes (the "Noteholders", which expression shall, in relation to any Notes represented by a Global Note, be construed as provided below), the holders of the Receipts (the "Receiptholders") and the holders of the Coupons (the "Couponholders", which expression shall, unless the context otherwise requires, include the holders of the Talons), in accordance with the provisions of the Trust Deed.

As used herein, "Tranche" means Notes which are identical in all respects (including as to listing) and "Series" means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated

and form a single series and (ii) identical in all respects (including as to listing) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices.

Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the registered office for the time being of the Trustee (being at the date hereof at Fifth Floor, 100 Wood Street, London EC2V 7EX) and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing at the registered office of each of the Issuers at Cadbury House, Sanderson Road, Uxbridge, Middlesex UB8 1DH and copies may be obtained from the specified office of the Agent at The Bank of New York, 40th Floor, One Canada Square, London E14 5AL, save that, if this Note is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be available for inspection by a Noteholder holding one or more unlisted Notes of that Series and such Noteholder must produce evidence satisfactory to the Trustee or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity. The Noteholders, the Receiptholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are applicable to them. The statements in these Terms and Conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed and the Agency Agreement.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Terms and Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of inconsistency between the Trust Deed and the Agency Agreement, the Trust Deed will prevail and, in the event of inconsistency between the Agency Agreement or the Trust Deed and the applicable Final Terms, the applicable Final Terms will prevail.

## **1. Form, Denomination and Title**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the Specified Currency and the Specified Denomination(s). Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note is a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, a Dual Currency Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an Index Linked Redemption Note, an Instalment Note, a Dual Currency Redemption Note, a Partly Paid Note or a combination of any of the foregoing, depending on the Redemption/Payment Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons, Talons and Couponholders in these Terms and Conditions are not applicable.

Subject as set out below, title to the Notes, Receipts and Coupons will pass by delivery. Each relevant Obligor, any Paying Agent and the Trustee will (except as otherwise required by law) deem and treat the bearer of any Note, Receipt or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any Global Note, without prejudice to the provisions set out in the next succeeding paragraph.

For so long as any of the Notes is represented by a Global Note held on behalf of Euroclear Bank S.A./N.V. as operator of the Euroclear System ("Euroclear") and/or Clearstream Banking, société anonyme ("Clearstream, Luxembourg"), each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or of Clearstream, Luxembourg as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg including any form of statement or print out of electronic records provided by the relevant clearing system in accordance with its usual procedures and in which the holder of a particular nominal amount of the Notes is clearly identified together with the amount of such holding or any other letter of confirmation form of recent information and/or certification made by either of them shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by each relevant Obligor, the Paying Agents and the Trustee as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant Global Note shall be treated by each relevant Obligor, the Paying Agents and the Trustee as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant Global Note and the expressions "Noteholder" and "holder of Notes" and related expressions shall be construed accordingly.

Notes which are represented by a Global Note will be transferable only in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg, as the case may be. References to Euroclear and/or Clearstream,



Luxembourg shall, whenever the context so permits, except in relation to Notes in NGN form, be deemed to include a reference to any successor operator and/or successor clearing system and/or any additional or alternative clearing system authorised to maintain accounts therein, specified in the applicable Final Terms and/or approved by the relevant Issuer, the Agent and the Trustee.

## **2. Status of the Notes**

The Notes and any relative Receipts and Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of the relevant Issuer and (subject as aforesaid) rank pari passu without any preference among themselves and equally with all other outstanding unsecured and unsubordinated obligations of the relevant Issuer (save for certain obligations required to be preferred by law).

## **3. The Guarantee**

The payment of principal and interest in respect of all Notes, Receipts and Coupons issued by CSF and all other moneys payable by CSF under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by Cadbury Holdings and CSI in the Trust Deed and the payment of principal and interest in respect of all Notes, Receipts and Coupons issued by CSI and all other moneys payable by CSI under or pursuant to the Trust Deed has been unconditionally and irrevocably guaranteed by Cadbury Holdings and CSF in the Trust Deed (together, the "Guarantees"). The obligations of Cadbury Holdings and CSI (if the relevant Issuer is CSF) or Cadbury Holdings and CSF (if the relevant Issuer is CSI) under the Guarantees are direct, unconditional, unsubordinated and (subject to the provisions of Condition 4) unsecured obligations of such company and subject as aforesaid rank equally with all other unsecured and unsubordinated obligations of each such company (save for certain obligations required to be preferred by law).

## **4. Negative Pledge**

So long as any of the Notes remains outstanding (as defined in the Trust Deed), no relevant Obligor will (except as otherwise required by law or a court of competent jurisdiction) create or permit to subsist any Security upon, or with respect to, any of its present or future assets or revenues to secure any existing or future Relevant Indebtedness of any person (or to secure any guarantee given by any relevant Obligor of any Relevant Indebtedness of any person), unless such Obligor shall, simultaneously with, or prior to, the creation of such Security, take any and all action necessary to procure that all amounts payable by any relevant Obligor under the Notes, the Coupons and the Trust Deed are secured equally and rateably therewith by such Security in the same manner or in a manner satisfactory to the Trustee or that such other Security is provided as the Trustee shall, in its absolute discretion, deem not materially less beneficial to the Noteholders or as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Noteholders.

The foregoing shall not apply to:

- (i) any Security created by any relevant Obligor after the date of issue of the Notes in substitution for any Security created by a company which becomes a Subsidiary (as defined in the Trust Deed) of such Obligor after the date of issue of the Notes (if such last-mentioned Security shall have been created prior to the date of, and not in contemplation of, such company becoming a Subsidiary of such Obligor) the value of which does not materially exceed the then current value of the Security for which it is being substituted;
- (ii) any Security created by any relevant Obligor (whether prior to, simultaneously with or following the issue of the Relevant Indebtedness) upon an amount of assets with a value not exceeding the amount of the proceeds or the anticipated proceeds of, or upon the proceeds (or any part or parts of the proceeds) of, or upon any assets, returns, revenues or other benefits acquired or to be acquired with, or relating to, the proceeds (or any part or parts of the proceeds) of, any such Relevant Indebtedness; and
- (iii) any Security relating to any loan or other indebtedness which does not wholly come within the definition of Relevant Indebtedness set out below.

"Relevant Indebtedness" means any loan or other indebtedness which:

- (a) has an initial maturity of over 12 months;
- (b) is in the form of, or represented by, any bonds, notes, loan stock or other securities issued otherwise than to constitute or represent advances made by banks and/or other lending institutions;
- (c) is denominated or payable (whether compulsorily or at the option of the holder) in any currency other than the currency of the country in which the issuer has its principal place of business or is denominated in the currency of the country in which the issuer has its principal place of business but is initially placed or offered for subscription

or sale by or on behalf of, or by agreement with, the issuer as to more than 50 per cent. to persons resident outside such country and where any bonds, notes or other securities are agreed to be issued to any person (wherever resident) with a view to their being offered as to more than 50 per cent. to persons resident outside any country of the currency in which they are denominated or payable, they shall be deemed to have been so offered by or on behalf of the issuer; and

- (d) at the time of its initial distribution is, or is intended by the issuer to become, quoted or listed on any stock exchange, over-the-counter market or other securities market,

and, subject always as provided above, "Security" means any mortgage, pledge or charge (other than arising by operation of law) upon the whole or any part of the undertaking or assets, present or future (including any uncalled capital), of the grantor.

## 5. Interest

### **(a) Interest on Fixed Rate Notes**

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest. Interest will be payable in arrear on the Interest Payment Date(s) in each year up to (and including) the Maturity Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date will, if so specified in the applicable Final Terms, amount to the Broken Amount so specified.

As used in these Terms and Conditions, "Fixed Interest Period" means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"Day Count Fraction" means in respect of the calculation of an amount of interest in accordance with this Condition 5(a):

- (i) if "Actual/Actual (ICMA)" is specified in the applicable Final Terms:

- (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the "Accrual Period") is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
- (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
- (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and

- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In these Terms and Conditions:

“*Determination Period*” means the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

“*sub-unit*” means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

**(b) Interest on Floating Rate Notes and Index Linked Interest Notes**

*(i) Interest Payment Dates*

Each Floating Rate Note and Index Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:

- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
- (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an “Interest Payment Date”) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Terms and Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 5(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, “Business Day” means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments in London and any Additional Business Centre specified in the applicable Final Terms; and
- (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than London and any Additional Business Centre and which, if the Specified Currency is New Zealand dollars, shall be Auckland) or (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open. In these Terms and Conditions, “TARGET 2 system” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET 2) System.

*(ii) Rate of Interest*

The Rate of Interest payable from time to time in respect of Floating Rate Notes and Index Linked Interest Notes will be determined in the manner specified in the applicable Final Terms.

*(A) ISDA Determination for Floating Rate Notes*

Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this sub-paragraph (A), "ISDA Rate" for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA Definitions as published by the International Swaps and Derivatives Association, Inc. and as amended and updated as at the Issue Date of the first Tranche of the Notes (the "ISDA Definitions") and under which:

- (1) the Floating Rate Option is as specified in the applicable Final Terms;
- (2) the Designated Maturity is a period specified in the applicable Final Terms; and
- (3) the relevant Reset Date is either (i) if the applicable Floating Rate Option is based on the London inter-bank offered rate ("LIBOR") or on the Euro-zone interbank offered rate ("EURIBOR"), the first day of that Interest Period or (ii) in any other case, as specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), "Floating Rate", "Calculation Agent", "Floating Rate Option", "Designated Maturity" and "Reset Date" have the meanings given to those terms in the ISDA Definitions.

*(B) Screen Rate Determination for Floating Rate Notes*

Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (London time, in the case of LIBOR, or Brussels time, in the case of EURIBOR) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such offered quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the applicable Final Terms as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the applicable Final Terms.

*(iii) Minimum Rate of Interest and/or Maximum Rate of Interest*

If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest.

If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and Calculation of Interest Amounts*

The Agent, in the case of Floating Rate Notes, and the Calculation Agent, in the case of Index Linked Interest Notes, will at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period. In the case of Index Linked Interest Notes, the Calculation Agent will notify the Agent of the Rate of Interest for the relevant Interest Period as soon as practicable after calculating the same.

The Agent will calculate the amount of interest (the "Interest Amount") payable on the Floating Rate Notes or Index Linked Interest Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes or Index Linked Interest Notes which are represented by a Global Note, the aggregate outstanding nominal amount of the Notes represented by such Global Note (or, if they are Partly Paid Notes, the aggregate amount paid up); or
- (B) in the case of Floating Rate Notes or Index Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note or an Index Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition 5(b):

- (A) if "Actual/Actual (ISDA)" or "Actual/Actual" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (B) if "Actual/365 (Fixed)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (C) if "Actual/365 (Sterling)" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 or, in the case of an Interest Payment Date falling in a leap year, 366;
- (D) if "Actual/360" is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (E) if "30/360", "360/360" or "Bond Basis" is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"Y<sub>1</sub>" is the year, expressed as a number, in which the first day of the Interest Period falls;

"Y<sub>2</sub>" is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"M<sub>1</sub>" is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

"M<sub>2</sub>" is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

"D<sub>1</sub>" is the first calendar day, expressed as a number, of the Interest Period, unless such number is 31, in which case D<sub>1</sub> will be 30; and

"D<sub>2</sub>" is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (F) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (G) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

Day Count Fraction =

$$\frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“D<sub>1</sub>” is the first calendar day, expressed as a number, of the Interest Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

“D<sub>2</sub>” is the calendar day, expressed as a number, immediately following the last day included in the Interest Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30.

- (v) *Notification of Rate of Interest and Interest Amounts*

The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the relevant Issuer and any stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 14 as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange or other relevant authority on which the relevant Floating Rate Notes or Index Linked Interest Notes are for the time being listed or by which they have been admitted to listing and to the Noteholders in accordance with Condition 14. For the purposes of this paragraph, the expression “London Business Day” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for general business in London.

*(vi) Determination or Calculation by Trustee*

If for any reason at any relevant time the Agent or, as the case may be, the Calculation Agent defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with subparagraph (ii)(A) or (B) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (iv) above, the Trustee shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent or the Calculation Agent, as applicable.

*(vii) Certificates to be final*

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 5(b), whether by the Agent or, if applicable, the Calculation Agent or the Trustee, shall (in the absence of wilful default, bad faith or manifest error) be binding on each relevant Obligor, the Agent, the Calculation Agent (if applicable), the other Paying Agents and all Noteholders, Receiptholders and Couponholders and (in the absence as aforesaid) no liability to each relevant Obligor, the Noteholders, the Receiptholders or the Couponholders shall attach to the Agent or, if applicable, the Calculation Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.

***(c) Interest on Dual Currency Notes***

The rate or amount of interest payable in respect of Dual Currency Interest Notes shall be determined in the manner specified in the applicable Final Terms.

***(d) Interest on Partly Paid Notes***

In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the applicable Final Terms.

***(e) Accrual of interest***

Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless, upon due presentation thereof, payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

**6. Payments**

***(a) Method of payment***

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by credit or transfer to an account in the relevant Specified Currency maintained by the payee with, or, at the option of the payee, by a cheque in such Specified Currency drawn on, a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is New Zealand dollars, shall be Auckland); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee or, at the option of the payee, by a euro cheque.

Payments will be subject in all cases to any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8.

***(b) Presentation of definitive Notes, Receipts and Coupons***

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia, its territories, its possessions and other areas subject to its jurisdiction)).

Payments of instalments of principal (if any) in respect of definitive Notes, other than the final instalment, will (subject as provided below) be made in the manner provided in paragraph (a) above against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Receipt in accordance with the preceding paragraph. Payment of the final instalment will be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of the relevant Note in accordance with the preceding paragraph. Each Receipt must be presented for payment of the relevant instalment together with the definitive Note to which it appertains. Receipts presented without the definitive Note to which they appertain do not constitute valid obligations of the relevant Issuer. Upon the date on which any definitive Note becomes due and repayable, unmatured Receipts (if any) relating thereto (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fixed Rate Notes in definitive form (other than Dual Currency Notes, Index Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, Dual Currency Note, Index Linked Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof. A "Long Maturity Note" is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

***(c) Payments in respect of Global Notes***

Payments of principal and interest (if any) in respect of Notes represented by any Global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes and otherwise in the manner specified in the relevant Global Note against presentation or surrender, as the case may be, of such Global Note at the specified office of any Paying Agent outside the United States. A record of each payment made against presentation or surrender of any Global Note, distinguishing between any payment of principal and any payment of interest, will be made on such Global Note by the Paying Agent to which it is presented and such record shall be prima facie evidence that the payment in question has been made.

***(d) General provisions applicable to payments***

The holder of a Global Note shall be the only person entitled to receive payments in respect of Notes represented by such Global Note and each relevant Obligor will be discharged by payment to, or to the order of, the holder of such Global Note in respect of each amount so paid. Each of the persons shown in the records of Euroclear or Clearstream, Luxembourg as the beneficial holder of a particular nominal amount of Notes represented by such Global Note must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for his share of each payment so made by each relevant Obligor to, or to the order of, the holder of such Global Note.

Notwithstanding the foregoing provisions of this Condition, if any amount of principal and/or interest in respect of Notes is payable in U.S. dollars, such U.S. dollar payments of principal and/or interest in respect of such Notes will be made at the specified office of a Paying Agent in the United States if:

- (i) the relevant Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified



offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;

- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of each relevant Obligor, adverse tax consequences to any such Obligor (including, for the avoidance of doubt, any withholding or deduction for or on account of U.S. tax in respect of such payment).

**(e) Payment Day**

If the date for payment of any amount in respect of any Note, Receipt or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, "Payment Day" means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments in:
  - (A) the relevant place of presentation;
  - (B) London;
  - (C) any Additional Financial Centre specified in the applicable Final Terms; and
- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments in the principal financial centre of the country of the relevant Specified Currency (if other than the place of presentation, London and any Additional Financial Centre and which, if the Specified Currency is New Zealand dollars, shall be Auckland) or (2) in relation to any sum payable in euro, a day on which the TARGET 2 System is open.

**(f) Interpretation of principal and interest**

Any reference in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable:

- (i) any additional amounts which may be payable with respect to principal under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed;
- (ii) the Final Redemption Amount of the Notes;
- (iii) the Early Redemption Amount of the Notes;
- (iv) the Optional Redemption Amount(s) (if any) of the Notes;
- (v) in relation to Notes redeemable in instalments, the Instalment Amounts;
- (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(e)); and
- (vii) any premium and any other amounts (other than interest) which may be payable by the relevant Issuer under or in respect of the Notes.

Any reference in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or under any undertaking or covenant given in addition thereto, or in substitution therefor, pursuant to the Trust Deed.

**7. Redemption and Purchase**

**(a) Redemption at maturity**

Unless previously redeemed or purchased and cancelled as specified below, each Note (including each Index Linked Redemption Note and Dual Currency Redemption Note) will be redeemed by the relevant Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the applicable Final Terms in the relevant Specified Currency on the Maturity Date.

**(b) Redemption for tax reasons**

The Notes may be redeemed at the option of the relevant Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an Index Linked Interest Note) or on any Interest Payment Date (if this Note is either a

Floating Rate Note or an Index Linked Interest Note), on giving not less than 30 nor more than 60 days' notice to the Trustee and the Agent and, in accordance with Condition 14, the Noteholders (which notice shall be irrevocable), if:

- (i) on the occasion of the next payment due under the Notes, the relevant Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 or any other Obligor in respect of such Note would be unable for reasons outside its control to procure payment by the relevant Issuer and in making payment itself would be required to pay such additional amounts, in each case as a result of any change in, or amendment to or interpretation of, the laws, published practice or regulations of a Tax Jurisdiction (as defined in Condition 8), or any change in the application or interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes; and
- (ii) such obligation cannot be avoided by any relevant Obligor taking reasonable measures available to it,

provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which any relevant Obligor would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the relevant Issuer shall deliver to the Trustee a certificate signed by two Directors of the relevant Issuer stating that the relevant Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the relevant Issuer so to redeem have occurred, and an opinion in a form satisfactory to the Trustee of independent legal advisers of recognised standing to the effect that any relevant Obligor has or will become obliged to pay such additional amounts as a result of such change or amendment.

A relevant Obligor which is not the relevant Issuer in any case shall be entitled to require the relevant Issuer to exercise the Issuer's rights under this Condition 7(b).

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (e) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

***(c) Redemption at the option of the relevant Issuer (Issuer Call)***

If Issuer Call is specified in the applicable Final Terms, the relevant Issuer may, having given:

- (i) not less than 15 nor more than 30 days' notice to the Noteholders in accordance with Condition 14; and
- (ii) not less than 15 days before the giving of the notice referred to in (i), notice to the Trustee and the Agent;

(which notices shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in, or determined in the manner specified in, the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than a Higher Redemption Amount in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed ("Redeemed Notes") will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Euroclear and/or Clearstream, Luxembourg, in the case of Redeemed Notes represented by a Global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the "Selection Date"). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 14 not less than 15 days prior to the date fixed for redemption. No exchange of the relevant Global Note will be permitted during the period from (and including) the Selection Date to (and including) the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the relevant Issuer to the Noteholders in accordance with Condition 14 at least five days prior to the Selection Date.

***(d) Redemption at the option of the Noteholders (Investor Put)***

If Investor Put is specified in the applicable Final Terms, upon the holder of any Note giving to the relevant Issuer in accordance with Condition 14 not less than 15 nor more than 30 days' notice the relevant Issuer will, upon the expiry of such notice, redeem, subject to, and in accordance with, the terms specified in the applicable Final Terms, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date. It may be that before an Investor Put can be exercised, certain conditions and/or circumstances will need to be satisfied. Where relevant, the provisions will be set out in the applicable Final Terms.

To exercise the right to require redemption of this Note the holder of this Note must, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, deliver, at the specified office of any Paying Agent at any time

during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a "Put Notice") and in which the holder must specify a bank account (or, if payment is required to be made by cheque, an address) to which payment is to be made under this Condition accompanied by, this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a Global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depository or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time and, if this Note is represented by a Global Note, at the same time present or procure the presentation of the relevant Global Note to the Agent for notation accordingly.

**(e) Early Redemption Amounts**

For the purpose of paragraph (b) above and Condition 10, each Note will be redeemed at its Early Redemption Amount calculated as follows:

- (i) in the case of a Note with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of a Note (other than a Zero Coupon Note but including an Instalment Note and Partly Paid Note) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in, or determined in the manner specified in, the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at its nominal amount; or
- (iii) in the case of a Zero Coupon Note, at an amount (the "Amortised Face Amount") calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \cdot (1 + \text{AY})^y$$

where:

"RP" means the Reference Price;

"AY" means the Accrual Yield expressed as a decimal; and

"y" is a fraction the numerator of which is equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator of which is 360,

or on such other calculation basis as may be specified in the applicable Final Terms.

**(f) Instalments**

Instalment Notes will be redeemed in the Instalment Amounts and on the Instalment Dates. In the case of early redemption, the Early Redemption Amount will be determined pursuant to paragraph (e) above.

**(g) Partly Paid Notes**

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the applicable Final Terms.

**(h) Purchases**

Cadbury plc, Cadbury Holdings or any Subsidiary of Cadbury Holdings may at any time purchase Notes (provided that, in the case of definitive Notes, all unmaturing Receipts, Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of any relevant Obligor or relevant Subsidiary of Cadbury Holdings, surrendered to any Paying Agent for cancellation.

**(i) Cancellation**

All Notes which are redeemed will forthwith be cancelled (together with all unmatured Receipts, Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and Notes purchased and cancelled pursuant to paragraph (h) above (together with all unmatured Receipts, Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.

**(j) Late payment on Zero Coupon Notes**

If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and payable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable in respect of such Zero Coupon Notes has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 14.

**8. Taxation**

All payments of principal and interest in respect of the Notes, Receipts and Coupons by each relevant Obligor will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of any Tax Jurisdiction unless such withholding or deduction is required by law. In such event, each relevant Obligor will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes, Receipts or Coupons after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in respect of the Notes, Receipts or Coupons, as the case may be, in the absence of such requirement to make such withholding or deduction; except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon presented for payment:

- (i) by or on behalf of a holder who is liable for such taxes or duties in respect of such Note, Receipt or Coupon by reason of his having some connection with a Tax Jurisdiction other than the mere holding of such Note, Receipt or Coupon; or
- (ii) by or on behalf of a holder who would have been able to avoid such withholding or deduction (i) by presenting any form or certificate or (ii) by making a declaration of non-residence or other similar claim for exemption to the relevant tax authority; or
- (iii) more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to an additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6(e)); or
- (iv) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to any law implementing or complying with, or introduced in order to conform to, European Union Directive 2003/48/EC or any other directive on the taxation of savings income implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000; or
- (v) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting such Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used herein:

- (A) "Tax Jurisdiction" means the United Kingdom or any political subdivision or any authority thereof or therein having power to tax; and
- (B) the "Relevant Date" means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 14.

Any reference in these Conditions to principal or interest shall be deemed also to refer to any additional amounts which may be payable under this Condition or any undertakings given in addition thereto or in substitution thereof pursuant to the Trust Deed.

## 9. Prescription

The Notes, Receipts and Coupons will become void unless presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

## 10. Events of Default

If any of the following events (each an “Event of Default”) occurs the Trustee at its discretion may, and if so requested in writing by holders of at least one-quarter in nominal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders shall (subject to being indemnified to its satisfaction), give notice to each relevant Obligor that the Notes are, and they shall thereupon immediately become, due and repayable at their Early Redemption Amount (as described in Condition 7(e)) together with accrued interest as provided in the Trust Deed:

- (i) there is failure by any relevant Obligor to pay any principal or interest payable on any of the Notes within 15 days of its due date; or
- (ii) any relevant Obligor defaults in the performance or observance of any of its other obligations set out in the Notes or the Trust Deed which default is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not in the opinion of the Trustee remedied within 30 days (or such longer period as the Trustee may permit) after notice of such default shall have been given to each relevant Obligor by the Trustee requiring the same to be remedied; or
- (iii) any holder or trustee for the holders of any Capital Markets Indebtedness of any relevant Obligor amounting in aggregate to not less than £25,000,000 or its equivalent in any other currency shall demand premature repayment thereof following a default or enforces any security therefor or any relevant Obligor defaults (after whichever is the longer of any originally applicable grace period and 30 days after the due date) in the repayment of any such Capital Markets Indebtedness at the maturity thereof or any guarantee or indemnity given by any relevant Obligor in respect of any Capital Markets Indebtedness of any third party amounting in aggregate to not less than £25,000,000 or its equivalent in any other currency shall not be honoured (after whichever is the longer of any originally applicable grace period and 30 days after the due date) when due and called upon, unless, in any of the above cases, in the opinion of the Trustee, the Obligor is contesting in good faith and by appropriate proceedings that such amounts are due; or
- (iv) any relevant Obligor becomes insolvent or is unable to pay its debts within the meaning of section 123(1)(e) or section 123(2) of the Insolvency Act 1986 of the United Kingdom or applies for or consents to or suffers the appointment of an administrator, liquidator or administrative or other receiver of the whole or any material part of its undertaking, property, assets or revenues or takes any proceedings under any law for a readjustment or deferment of its obligations or any part of them or makes or enters into a general assignment or an arrangement or composition with or for the benefit of its creditors (otherwise than, with the prior consent of the Trustee, for the purposes of consolidation, amalgamation, merger or reconstruction or any other process the result of which will be that all or part of such Obligor’s assets and undertaking will be transferred to another solvent entity); or
- (v) an order is made or an effective resolution passed for winding-up of any relevant Obligor (otherwise than, with the prior consent of the Trustee, for the purposes of consolidation, amalgamation, merger or reconstruction or any other process the result of which will be that all or part of such Obligor’s assets and undertaking will be transferred to another solvent entity); or
- (vi) for any reason the applicable Guarantee ceases, or is claimed by the guarantor not, to be in full force and effect; or
- (vii) Cadbury Holdings ceases or threatens to cease to carry on the whole or substantially the whole of its business save for the purposes of reconstruction, union, transfer, merger or amalgamation which is effected with the prior written consent of the Trustee or which is approved by an Extraordinary Resolution of the Noteholders,

provided that, in the case of each of paragraphs (ii), (iii), (iv) and (vii) above, the Trustee shall have certified that, in its opinion, such event is materially prejudicial to the interests of the Noteholders.

“Capital Markets Indebtedness” means any loan or other indebtedness of any person which is in the form of or represented by any bonds, notes, depositary receipts or other securities for the time being quoted or listed, with the agreement of the issuer, on any stock exchange, over-the-counter market or securities exchanges.

## **11. Replacement of Notes, Receipts, Coupons and Talons**

Should any Note, Receipt, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the relevant Issuer may reasonably require. Mutilated or defaced Notes, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

## **12. Paying Agents**

The names of the initial Paying Agents and their initial specified offices are set out below.

The relevant Issuer and (as the case may be) any other relevant Obligor(s) are entitled (with the prior written consent of the Trustee) to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents and/or approve any change in the specified office through which any Paying Agent acts, provided that:

- (i) there will at all times be an Agent;
- (ii) so long as the Notes are listed on any stock exchange, or admitted to listing by any other relevant authority, there will at all times be a Paying Agent with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or other relevant authority;
- (iii) there will at all times be a Paying Agent with a specified office outside the United Kingdom;
- (iv) if the Trustee requests, there will be appointed by the relevant Issuer, a Paying Agent outside the European Union; and
- (v) for so long as any law implementing or complying with, or introduced in order to conform to, European Union Directive 2003/48/EC or any other directive on the taxation of savings income implementing the conclusions of the ECOFIN Council meeting of 26th-27th November, 2000 is in force, the relevant Issuer and (as the case may be) each other relevant Obligor will ensure that it maintains a Paying Agent in a Member State of the European Union in which there is no obligation to withhold or deduct tax pursuant to any such law or directive (if there is such a Member State).

In addition, the relevant Issuer and (as the case may be) any other relevant Obligor(s) shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in Condition 6(d). Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 14.

In acting under the Agency Agreement, the Paying Agents act solely as agents of the relevant Issuer and (as the case may be) any other relevant Obligor(s) and, in certain circumstances specified therein, of the Trustee and do not assume any obligation to, or relationship of agency or trust with, any Noteholders, Receiptholders or Couponholders. The Agency Agreement contains provisions permitting any entity into which any Paying Agent is merged or converted or with which it is consolidated or to which it transfers all or substantially all of its assets to become the successor paying agent.

## **13. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

## **14. Notices**

All notices regarding the Notes will be deemed to be validly given if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* in London. The relevant Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date of the

first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers. If publication as provided above is not practicable, notice will be given in such other manner, and will be deemed to have been given on such date, as the Trustee may approve.

Until such time as any definitive Notes are issued, there may, so long as any Global Notes representing the Notes are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the holders of the Notes and, in addition, for so long as any Notes are listed on a stock exchange or are admitted to trading by another relevant authority and the rules of that stock exchange or other relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by that stock exchange or other relevant authority. Any such notice shall be deemed to have been given to the holders of the Notes on the seventh day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

Notices to be given by any Noteholder shall be in writing and given by lodging the same, together (in the case of any Note in definitive form) with the relative Note or Notes, with the Agent. Whilst any of the Notes is represented by a Global Note, such notice may be given by any holder of a Note to the Agent through Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Agent and Euroclear and/or Clearstream, Luxembourg, as the case may be, may approve for this purpose.

### **15. Meetings of Noteholders, Modification and Waiver**

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Terms and Conditions, the Notes, the Receipts, the Coupons or any of the provisions of the Trust Deed. Such a meeting may be convened by the relevant Issuer or the Trustee and shall be convened by the relevant Issuer at the request of Noteholders holding not less than five per cent. in nominal amount of the Notes for the time being remaining outstanding. The quorum at any such meeting for passing an Extraordinary Resolution is one or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting one or more persons being or representing Noteholders whatever the nominal amount of the Notes so held or represented, except that at any meeting the business of which includes the modification of certain provisions of these Terms and Conditions, the Notes, the Receipts, the Coupons or the Trust Deed (including modifying the date of maturity of the Notes or any date for payment of interest thereon, reducing or cancelling the amount of principal or the rate of interest payable in respect of the Notes or altering the currency of payment of the Notes, the Receipts or the Coupons), the quorum shall be one or more persons holding or representing not less than two-thirds in nominal amount of the Notes for the time being outstanding, or at any adjourned such meeting one or more persons holding or representing not less than one-third in nominal amount of the Notes for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Noteholders shall be binding on all the Noteholders, whether or not they are present at the meeting, and on all Receiptholders and Couponholders.

The Trustee may agree, without the consent of the Noteholders, Receiptholders or Couponholders, to:

- (i) any modification (except as mentioned above) of any of these Terms and Conditions, the Notes, the Receipts, the Coupons or the Trust Deed which is not in the opinion of the Trustee materially prejudicial to the interests of the Noteholders; or
- (ii) any modification of any of these Terms and Conditions, the Notes, the Receipts, the Coupons or the Trust Deed which is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

The Trustee may also agree, without the consent of the Noteholders, Receiptholders or Couponholders, to the waiver or authorisation of any breach or proposed breach of any of these Terms and Conditions or any of the provisions of the Trust Deed or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such, which in any such case is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders.

In connection with the exercise by it of any of its trusts, powers, authorities or discretions (including, but without limitation, any modification, waiver, authorisation, determination or substitution under Condition 18), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders, Receiptholders or Couponholders (whatever their number) and, in particular, but without limitation, shall not have regard to the consequences of such exercise for individual Noteholders, Receiptholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Noteholder, Receiptholder or Couponholder be entitled to claim, from the

relevant Issuer and (as the case may be) any other relevant Obligor or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders, Receiptholders or Couponholders except, in the case of the relevant Issuer and (as the case may be) any other relevant Obligor, to the extent provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.

Any such modification, waiver, authorisation, determination or substitution under Condition 18 shall be binding on the Noteholders, the Receiptholders and the Couponholders and, unless the Trustee otherwise agrees, any such modification or substitution shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

#### **16. Indemnification of the Trustee and its contracting with any relevant Obligor**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, *inter alia*, (i) to enter into business transactions with Cadbury plc, any relevant Obligor and/or any of Cadbury Holdings' other Subsidiaries and to act as trustee for the holders of any other securities issued or guaranteed by, or relating to, Cadbury plc, any relevant Obligor and/or any of Cadbury Holdings' other Subsidiaries, (ii) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders, Receiptholders or Couponholders, and (iii) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

#### **17. Further Issues**

The relevant Issuer shall be at liberty from time to time without the consent of the Noteholders, the Receiptholders or the Couponholders to create and issue further notes having terms and conditions the same as the Notes or the same in all respects save for the amount and date of the first payment of interest thereon and so that the same shall be consolidated and form a single Series with the outstanding Notes.

#### **18. Substitution**

The Trustee may, without the consent of the Noteholders, Receiptholders or Couponholders, agree with Cadbury Holdings to the substitution in place of Cadbury Holdings in its capacity as Guarantor (or of any previous substitute under this Condition) of (i) a Successor in Business (as defined in the Trust Deed) to Cadbury Holdings or (ii) a Holding Company (as defined in the Trust Deed) of Cadbury Holdings or (iii) a Subsidiary of Cadbury Holdings which is acceptable to the Trustee, in each case subject to the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced thereby and certain other conditions set out in the Trust Deed being complied with.

The Trustee may, without the consent of the Noteholders, Receiptholders or Couponholders, agree with CSF, CSI and Cadbury Holdings to the substitution in place of CSF or CSI (or of any previous substitute under this Condition) of (i) another Subsidiary of Cadbury Holdings, (ii) any relevant Obligor or its Successor in Business (in which case the Guarantee of such Obligor shall cease and determine), (iii) a Subsidiary of a Holding Company of Cadbury Holdings or its Successor in Business or (iv) a Holding Company of Cadbury Holdings or its Successor in Business (in each of which cases (iii) and (iv) the Guarantee of Cadbury Holdings shall cease and determine if the Trustee is satisfied that the interests of the Noteholders will not be materially prejudiced if they become holders of Notes of such Subsidiary or Holding Company without the benefit of the Guarantee of Cadbury Holdings rather than if they were to remain holders of Notes of CSF or, as the case may be, CSI with the benefit of the Guarantee of Cadbury Holdings), in each case subject to the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced thereby and certain other conditions set out in the Trust Deed being complied with.

#### **19. Governing Law**

The Trust Deed (including the Guarantee), the Notes, the Receipts and the Coupons are governed by, and shall be construed in accordance with, English law.

#### **20. Enforcement and Rights of Third Parties**

At any time after the Notes shall have become immediately due and repayable the Trustee may, at its discretion and without further notice, take such proceedings against any relevant Obligor as it may think fit to enforce repayment thereof together with accrued interest (if any) and any other moneys payable pursuant to the provisions of the



Trust Deed, the Notes, the Receipts and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes, the Receipts or the Coupons unless (i) it shall have been so directed by an Extraordinary Resolution of the Noteholders or so requested in writing by the holders of at least one-quarter in nominal amount of the Notes then outstanding, and (ii) it shall have been indemnified to its satisfaction.

No Noteholder, Receiptholder or Couponholder shall be entitled to proceed directly against any Obligor unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and such failure is continuing. No rights are conferred on any person under the Contracts (Rights of Third parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

*For more information see "Contracts (Rights of Third Parties) Act 1999" under "General Information" on page 82 of this Prospectus.*

**THE SECOND SCHEDULE**  
**FORMS OF GLOBAL AND DEFINITIVE NOTES, RECEIPTS, COUPONS AND TALONS**  
**PART I**

**FORM OF TEMPORARY GLOBAL NOTE**

**[ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.]<sup>1</sup>**

**[CADBURY SCHWEPPE'S FINANCE p.l.c.**  
**(the "Issuer")**

*(incorporated with limited liability in England and Wales with registered number 465012)*

**CADBURY SCHWEPPE'S INVESTMENTS plc**  
**(the "Issuer")**

*(incorporated with limited liability in England and Wales with registered number 01135043)]<sup>2</sup>*

unconditionally and irrevocably guaranteed by

**CADBURY HOLDINGS LIMITED**  
**("Cadbury Holdings")**

*(incorporated with limited liability in England and Wales with registered number 52457)*

and

**[CADBURY SCHWEPPE'S FINANCE p.l.c.**  
**("CSF")**

*(incorporated with limited liability in England and Wales with registered number 465012)*

**CADBURY SCHWEPPE'S INVESTMENTS plc**  
**("CSI")**

*(incorporated with limited liability in England and Wales with registered number 01135043)]<sup>2</sup>*

**TEMPORARY GLOBAL NOTE**

This Note is a Temporary Global Note in respect of a duly authorised issue of Notes of the Issuer (the "Notes") of the Nominal Amount, Specified Currency(ies) and Specified Denomination(s) as are specified in the Final Terms applicable to the Notes (the "Final Terms"), a copy of which is annexed hereto. References herein to the Conditions shall be to the Terms and Conditions of the Notes as set out in the First Schedule to the Trust Deed (as defined below) as supplemented, replaced and modified by the Final Terms but, in the event of any conflict between the provisions of the Conditions and the information in the Final Terms, the Final Terms will prevail. Words and expressions defined in the Conditions shall bear the same meanings when used in this Global Note. This Global Note is issued subject to, and with the benefit of, the Conditions and a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the "Trust Deed") dated 26th May, 1999 and made between Cadbury Schweppes Public Limited Company (now Cadbury Holdings), [the Issuer/CSF]<sup>1</sup> and The Law Debenture Trust Corporation p.l.c. as trustee for the holders of the Notes.

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1 Include where the original maturity of the Notes is more than 365 days.

2 Delete as applicable.

1 Delete as applicable.

The Issuer, subject as hereinafter provided and subject to and in accordance with the Conditions and the Trust Deed, promises to pay to the bearer hereof on each Instalment Date (if the Notes are repayable in instalments) and on the Maturity Date and/or on such earlier date(s) as all or any of the Notes represented by this Global Note may become due and repayable in accordance with the Conditions and the Trust Deed, the amount payable under the Conditions in respect of such Notes on each such date and to pay interest (if any) on the nominal amount of the Notes from time to time represented by this Global Note calculated and payable as provided in the Conditions and the Trust Deed together with any other sums payable under the Conditions and the Trust Deed, upon presentation and, at maturity, surrender of this Global Note to or to the order of the Agent or any of the other Paying Agents located outside the United States, its territories and possessions (except as provided in the Conditions) from time to time appointed by the Issuer, Cadbury Holdings and [CSF/CSI]<sup>2</sup> in respect of the Notes, but in each case subject to the requirements as to certification provided herein.

If the Final Terms indicate that this Global Note is intended to be a New Global Note, the nominal amount of Notes represented by this Global Note shall be the aggregate amount from time to time entered in the records of both Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg** and together with Euroclear, the **relevant Clearing Systems**). The records of the relevant Clearing Systems (which expression in this Global Note means the records that each relevant Clearing System holds for its customers which reflect the amount of each such customer's interest in the Notes) shall be conclusive evidence of the nominal amount of Notes represented by this Global Note and, for these purposes, a statement issued by a relevant Clearing System (which statement shall be made available to the bearer upon request) stating the nominal amount of Notes represented by this Global Note at any time shall be conclusive evidence of the records of the relevant Clearing System at that time.

If the Final Terms indicate that this Global Note is not intended to be a New Global Note, the nominal amount of the Notes represented by this Global Note shall be the amount stated in the applicable Final Terms or, if lower, the nominal amount most recently entered by or on behalf of the Issuer in the relevant column in Part II, III, or IV of Schedule One hereto or in Schedule Two hereto.

On any redemption of, or payment of an instalment or interest being made in respect of, or purchase and cancellation of, any of the Notes represented by this Global Note the Issuer shall procure that:

- (i) if the Final Terms indicate that this Global Note is intended to be a New Global Note, details of such redemption, payment or purchase and cancellation (as the case may be) shall be entered pro rata in the records of the relevant Clearing Systems, and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the relevant Clearing Systems and represented by this Global Note shall be reduced by the aggregate nominal amount of the Notes so redeemed or purchased and cancelled or by the aggregate amount of such instalment so paid; or
- (ii) if the Final Terms indicate that this Global Note is not intended to be a New Global Note, details of such redemption, payment or purchase and cancellation (as the case may be) shall be entered by or on behalf of the Issuer in Schedule One hereto and the relevant space in Schedule One hereto recording any such redemption, payment or purchase and cancellation (as the case may be) shall be signed by or on behalf of the Issuer. Upon any such redemption, payment of an instalment or purchase and cancellation, the nominal amount of this Global Note and the Notes represented by this Global Note shall be reduced by the nominal amount of such Notes so redeemed or purchased and cancelled or the amount of such instalment so paid.

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1 Delete as applicable.

2 Delete as applicable.

Payments due in respect of Notes for the time being represented by this Global Note shall be made to the bearer of this Global Note and each payment so made will discharge the Issuer's obligations in respect thereof. Any failure to make entries referred to above shall not affect such discharge.

Payments of principal and interest (if any) due prior to the Exchange Date (as defined below) will only be made to the bearer hereof to the extent that there is presented to the Agent by Euroclear and/or Clearstream, Luxembourg a certificate to the effect that it has received from or in respect of a person entitled to a beneficial interest in a particular nominal amount of the Notes represented by this Global Note (as shown by its records) a certificate of non-US beneficial ownership in the form required by it. . The bearer of this Global Note will not (unless, upon due presentation of this Global Note for exchange, delivery of the appropriate number of Definitive Notes (together, if applicable, with the Receipts, Coupons and Talons appertaining thereto in or substantially in the forms set out in Parts III, IV, V and VI of the Second Schedule to the Trust Deed) or, as the case may be, issue and delivery (or, as the case may be, endorsement) of the Permanent Global Note is improperly withheld or refused and such withholding or refusal is continuing at the relevant payment date) be entitled to receive any payment hereon due on or after the Exchange Date.

On or after the date (the "**Exchange Date**") which is the later of (i) 40 days after the Issue Date and (ii) 40 days after the completion of the distribution of the Notes as certified by the relevant Dealer(s) (in the case of a non-syndicated issue) or the relevant lead manager (in the case of a syndicated issue), this Global Note may be exchanged (free of charge) in whole or in part for, as specified in the Final Terms, either (a) Definitive Notes and (if applicable) Receipts, Coupons and/or Talons (on the basis that all the appropriate details have been included on the face of such Definitive Notes and (if applicable) Receipts, Coupons and/or Talons and the relevant information supplementing, replacing or modifying the Conditions appearing in the Final Terms has been endorsed on or attached to such Definitive Notes) or (b) either (if the Final Terms indicate that this Global Note is intended to be a New Global Note) interests recorded in the records of the relevant Clearing Systems in a Permanent Global Note or (if the Final Terms indicate that this Global Note is not intended to be a New Global Note) a Permanent Global Note, which, in either case, is in or substantially in the form set out in Part II of the Second Schedule to the Trust Deed (together with the Final Terms attached thereto) upon notice being given by Euroclear and/or Clearstream, Luxembourg acting on the instructions of any holder of an interest in this Global Note and subject, in the case of Definitive Notes, to such notice period as is specified in the Final Terms.

If Definitive Notes and (if applicable) Receipts, Coupons and/or Talons have already been issued in exchange for all the Notes represented for the time being by the Permanent Global Note, then this Global Note may only thereafter be exchanged for Definitive Notes and (if applicable) Receipts, Coupons and/or Talons pursuant to the terms hereof. This Global Note may be exchanged by the bearer hereof on any day (other than a Saturday or a Sunday) on which banks are open for general business in London.

The Issuer shall procure that Definitive Notes or (as the case may be) the Permanent Global Note shall be issued and delivered and (in the case of the Permanent Global Note where the Final Terms indicate that this Global Note is intended to be a New Global Note) interests in the Permanent Global Note shall be recorded in the records of the relevant Clearing Systems in exchange for only that portion of this Global Note in respect of which there shall have been presented to the Agent by Euroclear or Clearstream, Luxembourg a certificate to the effect that it has received from or in respect of a person entitled to a beneficial interest in a particular nominal amount of the Notes represented by this Global Note (as shown by its records) a certificate of non-US beneficial ownership in the form required by it.

On an exchange of the whole of this Global Note, this Global Note shall be surrendered to or to the order of the Agent. The Issuer shall procure that:

- (i) if the Final Terms indicate that this Global Note is intended to be a New Global Note, on an exchange of the whole or part only of this Global Note, details of such exchange shall be entered pro rata in the records of the relevant Clearing Systems such that the nominal amount of Notes represented by this Global Note shall be reduced by the nominal amount of this Global Note so exchanged; or
- (ii) if the Final Terms indicate that this Global Note is not intended to be a New Global Note, on an exchange of part only of this Global Note details of such exchange shall be entered by or on behalf of the Issuer in Schedule Two hereto and the relevant space in Schedule Two hereto recording such exchange shall be signed by or on behalf of the Issuer, whereupon the nominal amount of this Global Note and the Notes represented by this Global Note shall be reduced by the nominal amount of this Global Note so exchanged. On any exchange of this Global Note for a Permanent Global Note, details of such exchange shall be entered by or on behalf of the Issuer in Schedule Two to the Permanent Global Note and the relevant space in Schedule Two thereto recording such exchange shall be signed by or on behalf of the Issuer.

Until the exchange of the whole of this Global Note as aforesaid, the bearer hereof shall in all respects (except as otherwise provided herein or in the Trust Deed) be entitled to the same benefits as if he were the bearer of Definitive Notes and the relative Receipts, Coupons and/or Talons (if any) in the form(s) set out in Parts III, IV, V and VI (as applicable) of the Second Schedule to the Trust Deed.

Each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of the Notes represented by this Global Note (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, Cadbury Holdings, [CSF/CSI,]<sup>1</sup> the Trustee, the Agent and any other Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal and interest on such nominal amount of such Notes, the right to which shall be vested, as against the Issuer, Cadbury Holdings and [CSF/CSI]<sup>1</sup>, solely in the bearer of this Global Note in accordance with and subject to the terms of this Global Note and the Trust Deed.

This Global Note is governed by, and shall be construed in accordance with, English law.

This Global Note shall not be valid unless authenticated by The Bank of New York, London branch as Agent, and, if the Final Terms indicate that this Global Note is intended to be a New Global Note (i) which is intended to be held in a manner which would allow Eurosystem-eligibility or (ii) in respect of which the Issuer has notified the Agent that effectuation is to be applicable, effectuated by the entity appointed as a common safekeeper by the relevant Clearing Systems.

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<sup>1</sup> Delete as applicable.

<sup>1</sup> Delete as applicable.

IN WITNESS whereof the Issuer has caused this Global Note to be signed manually or in facsimile by a person duly authorised on its behalf.

Issued as of \_\_\_\_\_

**[CADBURY SCHWEPPE FINANCE p.l.c./  
CADBURY SCHWEPPE INVESTMENTS plc]<sup>1</sup>**

By: \_\_\_\_\_  
**Duly Authorised**

Authenticated without recourse, warranty or liability by  
The Bank of New York  
London branch,  
as Agent.

By: \_\_\_\_\_  
**Authorised Officer**

<sup>2</sup>Effectuated without recourse,  
warranty or liability by

\_\_\_\_\_  
as common safekeeper

By: \_\_\_\_\_

1 Delete as applicable.

2 This should only be completed where the Final Terms indicates that this Global Note is intended to be a New Global Note.













**PART II**  
**FORM OF PERMANENT GLOBAL NOTE**

**[ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.]<sup>1</sup>**

**[CADBURY SCHWEPPE FINANCE p.l.c.**  
**(the “Issuer”)**

*(incorporated with limited liability in England and Wales with registered number 465012)*

**CADBURY SCHWEPPE INVESTMENTS plc**  
**(the “Issuer”)**

*(incorporated with limited liability in England and Wales with registered number 01135043)]<sup>2</sup>*

unconditionally and irrevocably guaranteed by

**CADBURY HOLDINGS LIMITED**  
**(“Cadbury Holdings”)**

*(incorporated with limited liability in England and Wales with registered number 52457)*

and

**[CADBURY SCHWEPPE FINANCE p.l.c.**  
**(“CSF”)**

*(incorporated with limited liability in England and Wales with registered number 465012)*

**CADBURY SCHWEPPE INVESTMENTS plc**  
**(“CSI”)**

*(incorporated with limited liability in England and Wales with registered number 01135043)]<sup>2</sup>*

**PERMANENT GLOBAL NOTE**

This Note is a Permanent Global Note in respect of a duly authorised issue of Notes of the Issuer (the “Notes”) of the Nominal Amount, Specified Currency(ies) and Specified Denomination(s) as are specified in the Final Terms applicable to the Notes (the “Final Terms”), a copy of which is annexed hereto. References herein to the Conditions shall be to the Terms and Conditions of the Notes as set out in the First Schedule to the Trust Deed (as defined below) as supplemented, replaced and modified by the Final Terms but, in the event of any conflict between the provisions of the Conditions and the information in the Final Terms, the Final Terms will prevail. Words and expressions defined in the Conditions shall bear the same meanings when used in this Global Note. This Global Note is issued subject to, and with the benefit of, the Conditions and a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the “Trust Deed”) dated 26th May, 1999 and made between Cadbury Schweppes Public Limited Company (now Cadbury Holdings), [the Issuer/CSF]<sup>1</sup> and The Law Debenture Trust Corporation p.l.c. as trustee for the holders of the Notes.

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1 Include where the original maturity of the Notes is more than 365 days.

2 Delete as applicable.

1 Delete as applicable.

The Issuer, subject to and in accordance with the Conditions and the Trust Deed, promises to pay to the bearer hereof on each Instalment Date (if the Notes are repayable in instalments) and on the Maturity Date and/or on such earlier date(s) as all or any of the Notes represented by this Global Note may become due and repayable in accordance with the Conditions and the Trust Deed, the amount payable under the Conditions in respect of such Notes on each such date and to pay interest (if any) on the nominal amount of the Notes from time to time represented by this Global Note calculated and payable as provided in the Conditions and the Trust Deed together with any other sums payable under the Conditions and the Trust Deed, upon presentation and, at maturity, surrender of this Global Note to or to the order of the Agent or any of the other Paying Agents located outside the United States, its territories and possessions (except as provided in the Conditions) from time to time appointed by the Issuer, Cadbury Holdings and [CSF/CSI]<sup>1</sup> in respect of the Notes.

If the Final Terms indicate that this Global Note is intended to be a New Global Note, the nominal amount of Notes represented by this Global Note shall be the aggregate amount from time to time entered in the records of both Euroclear Bank S.A./N.V. (**Euroclear**) and Clearstream Banking, société anonyme (**Clearstream, Luxembourg** and together with Euroclear, the **relevant Clearing Systems**). The records of the relevant Clearing Systems (which expression in this Global Note means the records that each relevant Clearing System holds for its customers which reflect the amount of each such customer's interest in the Notes) shall be conclusive evidence of the nominal amount of Notes represented by this Global Note and, for these purposes, a statement issued by a relevant Clearing System (which statement shall be made available to the bearer upon request) stating the nominal amount of Notes represented by this Global Note at any time shall be conclusive evidence of the records of the relevant Clearing System at that time.

If the Final Terms indicate that this Global Note is not intended to be a New Global Note, the nominal amount of the Notes represented by this Global Note shall be the amount stated in the applicable Final Terms or, if lower, the nominal amount most recently entered by or on behalf of the Issuer in the relevant column in Part II, Part III, or Part IV of Schedule One hereto or in Schedule Two hereto.

On any redemption of, or payment of an instalment or interest being made in respect of, or purchase and cancellation of, any of the Notes represented by this Global Note the Issuer shall procure that:

- (i) if the Final Terms indicate that this Global Note is intended to be a New Global Note, details of such redemption, payment or purchase and cancellation (as the case may be) shall be entered pro rata in the records of the relevant Clearing Systems and, upon any such entry being made, the nominal amount of the Notes recorded in the records of the relevant Clearing Systems and represented by this Global Note shall be reduced by the aggregate nominal amount of the Notes so redeemed or purchased and cancelled or by the aggregate amount of such instalment so paid; or
- (ii) if the Final Terms indicate that this Global Note is not intended to be a New Global Note, details of such redemption, payment or purchase and cancellation (as the case may be) shall be entered by or on behalf of the Issuer in Schedule One hereto and the relevant space in Schedule One hereto recording any such redemption, payment or purchase and cancellation (as the case may be) shall be signed by or on behalf of the Issuer. Upon any such redemption, payment of an instalment or purchase and cancellation, the nominal amount of this Global Note and the Notes represented by this Global Note shall be reduced by the nominal amount of such Notes so redeemed or purchased and cancelled or the amount of such instalment so paid.

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1 Delete as applicable.

Payments due in respect of Notes for the time being represented by this Global Note shall be made to the bearer of this Global Note and each payment so made will discharge the Issuer's obligations in respect thereof and any failure to make entries referred to above shall not affect such discharge.

If the Notes represented by this Global Note were, on issue, represented by a Temporary Global Note then on any exchange of such Temporary Global Note for this Global Note or any part hereof, the Issuer shall procure that:

- (i) if the Final Terms indicate that this Global Note is intended to be a New Global Note, details of such exchange shall be entered in the records of the relevant Clearing Systems such that the nominal amount of Notes represented by this Global Note shall be increased by the nominal amount of the Temporary Global Note so exchanged; or
- (ii) if the Final Terms indicate that this Global Note is not intended to be a New Global Note, details of such exchange shall be entered by or on behalf of the Issuer in Schedule Two hereto and the relevant space in Schedule Two hereto recording such exchange shall be signed by or on behalf of the Issuer, whereupon the nominal amount of this Global Note and the Notes represented by this Global Note shall be increased by the nominal amount of the Temporary Global Note so exchanged.

This Global Note may be exchanged (free of charge) in whole, but not in part, for Definitive Notes and (if applicable) Receipts, Coupons and/or Talons in or substantially in the forms set out in Parts III, IV, V and VI of the Second Schedule to the Trust Deed (on the basis that all the appropriate details have been included on the face of such Definitive Notes and (if applicable) Receipts, Coupons and/or Talons and the relevant information supplementing, replacing or modifying the Conditions appearing in the Final Terms has been endorsed on or attached to such Definitive Notes) either, as specified in the applicable Final Terms:

- (i) upon not less than 60 days' written notice being given to the Agent by Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in this Global Note); or
- (ii) only upon the occurrence of an Exchange Event.

An "**Exchange Event**" means:

- (1) an Event of Default has occurred and is continuing;
- (2) the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention permanently to cease business or have in fact done so and no alternative clearing system satisfactory to the Trustee is available; or
- (3) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 8 which would not be required were the Notes in definitive form.

Upon the occurrence of an Exchange Event:

- (i) the Issuer will promptly give notice to Noteholders in accordance with Condition 14 of the occurrence of such Exchange Event; and

- (ii) Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in this Global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (3) above, the Issuer may also give notice to the Agent requesting exchange.

Any such exchange shall occur on a date specified in the notice not later than 60 days after the date of receipt of the first relevant notice by the Agent.

The first notice requesting exchange in accordance with the above provisions shall give rise to the issue of Definitive Notes for the total nominal amount of Notes represented by this Global Note.

Any such exchange as aforesaid will be made on any day (other than a Saturday or a Sunday) on which banks are open for business in London by the bearer of this Global Note.

The aggregate nominal amount of Definitive Notes issued upon an exchange of this Global Note will be equal to the aggregate nominal amount of this Global Note. Upon exchange of this Global Note for Definitive Notes, the Agent shall cancel it or procure that it is cancelled.

Until the exchange of the whole of this Global Note as aforesaid, the bearer hereof shall (subject as provided in the next paragraph) in all respects be entitled to the same benefits as if he were the bearer of Definitive Notes and the relative Receipts, Coupons and/or Talons (if any) in the form(s) set out in Parts III, IV, V and VI (as applicable) of the Second Schedule to the Trust Deed.

Each person (other than Euroclear or Clearstream, Luxembourg) who is for the time being shown in the records of Euroclear or Clearstream, Luxembourg as the holder of a particular nominal amount of the Notes represented by this Global Note (in which regard any certificate or other document issued by Euroclear or Clearstream, Luxembourg as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, Cadbury Holdings, [CSF/CSI,]<sup>1</sup> the Trustee, the Agent and any other Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal and interest on such nominal amount of such Notes, the right to which shall be vested, as against the Issuer, Cadbury Holdings and [CSF/CSI]<sup>1</sup>, solely in the bearer of this Global Note in accordance with and subject to the terms of this Global Note and the Trust Deed.

This Global Note is governed by, and shall be construed in accordance with, English law.

This Global Note shall not be valid unless authenticated by The Bank of New York, London branch as Agent and, if the Final Terms indicate that this Global Note is intended to be a New Global Note (i) which is intended to be held in a manner which would allow Eurosystem eligibility or (ii) in respect of which the Issuer has notified the Agent that effectuation is to be applicable, effectuated by the entity appointed as common safekeeper by the relevant Clearing Systems.

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<sup>1</sup> Delete as applicable.

IN WITNESS whereof the Issuer has caused this Global Note to be signed manually or in facsimile by a person duly authorised on its behalf.

Issued as of \_\_\_\_\_

**[CADBURY SCHWEPPE FINANCE p.l.c./  
CADBURY SCHWEPPE INVESTMENTS plc]<sup>1</sup>**

By: \_\_\_\_\_  
**Duly Authorised**

Authenticated without recourse, warranty or liability by  
The Bank of New York London branch,  
as Agent.

By: \_\_\_\_\_  
**Authorised Officer**

<sup>2</sup>Effectuated without recourse,  
warranty or liability by  
\_\_\_\_\_  
as common safekeeper

By: \_\_\_\_\_

1 Delete as applicable.

2 This should only be completed where the Final Terms indicates that this Global Note is intended to be a New Global Note.













**PART III**  
**FORM OF DEFINITIVE NOTE**

**[ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.]<sup>1</sup>**

**[CADBURY SCHWEPPE FINANCE p.l.c.**  
**(the “Issuer”)**

*(incorporated with limited liability in England and Wales with registered number 465012)/*

**CADBURY SCHWEPPE INVESTMENTS plc**  
**(the “Issuer”)**

*(incorporated with limited liability in England and Wales with registered number 01135043)]<sup>2</sup>*

unconditionally and irrevocably guaranteed by

**CADBURY HOLDINGS LIMITED**  
**(“Cadbury Holdings”)**

*(incorporated with limited liability in England and Wales with registered number 52457)*

and

**[CADBURY SCHWEPPE FINANCE p.l.c.**  
**(“CSF”)**

*(incorporated with limited liability in England and Wales with registered number 465012)/*

**CADBURY SCHWEPPE INVESTMENTS plc**  
**(“CSI”)**

*(incorporated with limited liability in England and Wales with registered number 01135043)]<sup>2</sup>*

**[Specified Currency and Nominal Amount of Tranche]**

**NOTES DUE**

**[Year of Maturity]**

This Note is one of a Series of Notes of [Specified Currency(ies) and Specified Denomination(s)] each of the Issuer (“Notes”). References herein to the Conditions shall be to the Terms and Conditions [endorsed hereon/set out in the First Schedule to the Trust Deed (as defined below) which shall be incorporated by reference herein and have effect as if set out herein] as supplemented, replaced and modified by the relevant information (appearing in the Final Terms (the “Final Terms”)) endorsed hereon but, in the event of any conflict between the provisions of the said Conditions and such information in the Final Terms, such information will prevail. Words and expressions defined in the Conditions shall bear the same meanings when used in this Note. This Note is issued subject to, and with the benefit of, the Conditions and a Trust Deed (such Trust Deed as modified and/or supplemented and/or restated from time to time, the “Trust Deed”) dated 26th May, 1999 and made between Cadbury Schweppes Public Limited Company (now Cadbury Holdings), [the Issuer/CSF]<sup>2</sup> and The Law Debenture Trust Corporation p.l.c. as trustee for the holders of the Notes.

The Issuer, subject to and in accordance with the Conditions and the Trust Deed, promises to pay to the bearer hereof on [each Instalment Date and] the Maturity Date or on such earlier date as this Note

<sup>1</sup> Include where the original maturity of the Notes is more than 365 days.

<sup>2</sup> Delete as applicable.

may become due and repayable in accordance with the Conditions and the Trust Deed, the amount payable on redemption of this Note and to pay interest (if any) on the nominal amount of this Note calculated and payable as provided in the Conditions and the Trust Deed together with any other sums payable under the Conditions and the Trust Deed.

This Note shall not be valid unless authenticated by The Bank of New York London branch as Agent.

IN WITNESS whereof this Note has been executed on behalf of the Issuer.

Issued as of \_\_\_\_\_

**[CADBURY SCHWEPPE FINANCE p.l.c./  
CADBURY SCHWEPPE INVESTMENTS plc]<sup>1</sup>**

By: \_\_\_\_\_  
**Duly Authorised**

Authenticated without recourse, warranty or liability by  
The Bank of New York  
London branch,  
as Agent.

By: \_\_\_\_\_  
**Authorised Officer**

<sup>1</sup> Delete as applicable.

**[Conditions]**

[Conditions to be as set out in the First Schedule to this Trust Deed or such other form as may be agreed between the relevant Issuer, the Agent, the Trustee and the relevant Dealer(s), but shall not be endorsed if not required by the relevant Stock Exchange]



**Final Terms**

[Here to be set out the text of the relevant information supplementing, replacing or modifying the Conditions which appears in the Final Terms relating to the Notes]

**PART IV****FORM OF RECEIPT**

**[CADBURY SCHWEPPE FINANCE p.l.c./  
CADBURY SCHWEPPE INVESTMENTS plc]<sup>1</sup>**

**[Specified Currency and Nominal Amount of Tranche]**

**NOTES DUE**

**[Year of Maturity]**

**Series No. [       ]**

Receipt for the sum of [       ] being the instalment of principal payable in accordance with the Terms and Conditions applicable to the Note to which this Receipt appertains (the "Conditions") on [       ].

This Receipt is issued subject to and in accordance with the Conditions which shall be binding upon the holder of this Receipt (whether or not it is for the time being attached to such Note) and is payable at the specified office of any of the Paying Agents set out on the reverse hereof (and/or any other or further Paying Agents and/or specified offices as may from time to time be duly appointed and notified to the Noteholders).

This Receipt must be presented for payment together with the Note to which it appertains. The Issuer shall have no obligation in respect of any Receipt presented without the Note to which it appertains or any unmatured Receipts.

**[ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.]<sup>2</sup>**

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<sup>1</sup> Delete as applicable.

<sup>2</sup> Include where the original maturity of the Notes is more than 365 days.

**PART V**  
**FORM OF COUPON**

On the front:

**[CADBURY SCHWEPPE FINANCE p.l.c./  
CADBURY SCHWEPPE INVESTMENTS plc]<sup>1</sup>**  
**[Specified Currency and Nominal Amount of Tranche]**  
**NOTES DUE**  
**[Year of Maturity]**  
**Series No. [       ]**

[Coupon appertaining to a Note in the denomination of [Specified Currency and Specified Denomination]].<sup>2</sup>

**Part A**

**[For Fixed Rate Notes:**

This Coupon is payable to bearer, separately negotiable and subject to the Terms and Conditions of the said Notes.

Coupon for  
[       ]  
due on [     ], [     ]

**Part B**

**[For Floating Rate Notes or Indexed Interest Notes:**

Coupon for the amount due in accordance with the Terms and Conditions endorsed on, attached to or incorporated by reference into the said Notes on [the Interest Payment Date falling in [     ] [     ] [     ]].

This Coupon is payable to bearer, separately negotiable and subject to such Terms and Conditions, under which it may become void before its due date.]

**[ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.]<sup>3</sup>**

<sup>1</sup> Delete as applicable.

<sup>2</sup> Delete where the Notes are all of the same denomination.

<sup>3</sup> Include where the original maturity of the Notes is more than 365 days.

**PART VI**  
**FORM OF TALON**

On the front:

**[CADBURY SCHWEPPE FINANCE p.l.c./**  
**CADBURY SCHWEPPE INVESTMENTS plc]<sup>1</sup>**  
**[Specified Currency and Nominal Amount of Tranche]**  
**NOTES DUE**  
**[Year of Maturity]**  
**Series No. [    ]**

[Talon appertaining to a Note in the denomination of [Specified Currency and Specified Denomination]]<sup>2</sup>.

On and after [            ] further Coupons [and a further Talon]<sup>3</sup> appertaining to the Note to which this Talon appertains will be issued at the specified office of any of the Paying Agents set out on the reverse hereof (and/or any other or further Paying Agents and/or specified offices as may from time to time be duly appointed and notified to the Noteholders) upon production and surrender of this Talon.

This Talon may, in certain circumstances, become void under the Terms and Conditions endorsed on the Note to which this Talon appertains.

**[ANY UNITED STATES PERSON (AS DEFINED IN THE INTERNAL REVENUE CODE OF THE UNITED STATES) WHO HOLDS THIS OBLIGATION WILL BE SUBJECT TO LIMITATIONS UNDER THE UNITED STATES INCOME TAX LAWS, INCLUDING THE LIMITATIONS PROVIDED IN SECTIONS 165(j) AND 1287(a) OF THE INTERNAL REVENUE CODE.]<sup>4</sup>**

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<sup>1</sup> Delete as applicable.

<sup>2</sup> Delete where the Notes are all of the same denomination.

<sup>3</sup> Not required on last Coupon sheet.

<sup>4</sup> Include where the original maturity of the Notes is more than 365 days.

On the back of Receipts, Coupons and Talons:

**AGENT**

The Bank of New York  
40th Floor One Canada Square  
London E14 5AL

**OTHER PAYING AGENT**

The Bank of New York (Luxembourg) S.A.  
Corporate Trust Service  
Aerogolf Centre — 1A  
Hoehenhof  
L-1736 Senningerberg

**THE THIRD SCHEDULE****PROVISIONS FOR MEETINGS OF NOTEHOLDERS**

1. (A) As used in this Schedule the following expressions shall have the following meanings unless the context otherwise requires:
- (i) **“voting certificate”** shall mean an English language certificate issued by a Paying Agent and dated in which it is stated:
    - (a) that on the date thereof Notes (whether in definitive form or represented by a Global Note and not being Notes in respect of which a block voting instruction has been issued and is outstanding in respect of the meeting specified in such voting certificate or any adjourned such meeting) were deposited with such Paying Agent or (to the satisfaction of such Paying Agent) were held to its order or under its control or blocked in an account with a clearing system and that no such Notes will cease to be so deposited or held or blocked until the first to occur of:
      - (1) the conclusion of the meeting specified in such certificate or, if later, of any adjourned such meeting; and
      - (2) the surrender of the certificate to the Paying Agent who issued the same; and
    - (b) that the bearer thereof is entitled to attend and vote at such meeting and any adjourned such meeting in respect of the Notes represented by such certificate;
  - (ii) **“block voting instruction”** shall mean an English language document issued by a Paying Agent and dated in which:
    - (a) it is certified that Notes (whether in definitive form or represented by a Global Note and not being Notes in respect of which a voting certificate has been issued and is outstanding in respect of the meeting specified in such block voting instruction and any adjourned such meeting) have been deposited with such Paying Agent or (to the satisfaction of such Paying Agent) were held to its order or under its control or blocked in an account with a clearing system and that no such Notes will cease to be so deposited or held or blocked until the first to occur of:
      - (1) the conclusion of the meeting specified in such document or, if later, of any adjourned such meeting; and
      - (2) the surrender to the Paying Agent not less than 48 hours before the time for which such meeting or any adjourned such meeting is convened of the receipt issued by such Paying Agent in respect of each such deposited Note which is to be released or (as the case may require) the Note or Notes ceasing with the agreement of the Paying Agent to be held to its order or under its control or so blocked and the giving of notice by the Paying Agent to the relevant Issuer in

accordance with paragraph 17 hereof of the necessary amendment to the block voting instruction;

- (b) it is certified that each holder of such Notes or a duly authorised agent on his behalf has instructed such Paying Agent that the vote(s) attributable to the Note or Notes so deposited or held or blocked should be cast in a particular way in relation to the resolution or resolutions to be put to such meeting or any adjourned such meeting and that all such instructions are during the period commencing 48 hours prior to the time for which such meeting or any adjourned such meeting is convened and ending at the conclusion or adjournment thereof neither revocable nor capable of amendment;
  - (c) the aggregate nominal amount of the Notes so deposited or held or blocked are listed distinguishing with regard to each such resolution between those in respect of which instructions have been given as aforesaid that the votes attributable thereto should be cast in favour of the resolution and those in respect of which instructions have been so given that the votes attributable thereto should be cast against the resolution; and
  - (d) one or more persons named in such document (each hereinafter called a “**proxy**”) is or are authorised and instructed by such Paying Agent to cast the votes attributable to the Notes so listed in accordance with the instructions referred to in (c) above as set out in such document;
- (iii) “**24 hours**” shall mean a period of 24 hours including all or part of a day upon which banks are open for business in both the place where the relevant meeting is to be held and in each of the places where the Paying Agents have their specified offices (disregarding for this purpose the day upon which such meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of a day upon which banks are open for business in all of the places as aforesaid; and
- (iv) “**48 hours**” shall mean a period of 48 hours including all or part of two days upon which banks are open for business both in the place where the relevant meeting is to be held and in each of the places where the Paying Agents have their specified offices (disregarding for this purpose the day upon which such meeting is to be held) and such period shall be extended by one period or, to the extent necessary, more periods of 24 hours until there is included as aforesaid all or part of two days upon which banks are open for business in all of the places as aforesaid.
- (B) A holder of a Note (whether in definitive form or represented by a Global Note) may obtain a voting certificate in respect of such Note from a Paying Agent or require a Paying Agent to issue a block voting instruction in respect of such Note by depositing such Note with such Paying Agent or (to the satisfaction of such Paying Agent) by such Note being held to its order or under its control or being blocked in an account with a clearing system, in each case not less than 48 hours before the time fixed for the relevant meeting and on the terms set out in sub-paragraph (A)(i)(a) or (A)(ii)(a) above (as the case may be), and (in the case of a block voting instruction) instructing such Paying Agent to the effect set out in sub-paragraph (A)(ii)(b) above. The holder of any voting certificate or the proxies named in any block voting instruction shall for all purposes in connection with the relevant meeting or adjourned meeting of

Noteholders be deemed to be the holder of the Notes to which such voting certificate or block voting instruction relates and the Paying Agent with which such Notes have been deposited or the person holding the same to the order or under the control of such Paying Agent or the clearing system in which such Notes have been blocked shall be deemed for such purposes not to be the holder of those Notes.

2. The relevant Issuer, Cadbury Holdings, CSF (where the relevant Issuer is CSI), CSI (where the relevant Issuer is CSF) or the Trustee may at any time and the relevant Issuer shall upon a requisition in writing in the English language signed by the holders of not less than five per cent. in nominal amount of the Notes for the time being outstanding convene a meeting of the Noteholders and if the relevant Issuer makes default for a period of seven days in convening such a meeting the same may be convened by the Trustee or the requisitionists. Whenever the relevant Issuer or Cadbury Holdings or (where the relevant Issuer is CSI) CSF or (where the relevant Issuer is CSF) CSI is about to convene any such meeting the relevant Issuer or, as the case may be, Cadbury Holdings or, as the case may be, CSF (where the relevant Issuer is CSI) or, as the case may be, CSI (where the relevant Issuer is CSF) shall forthwith give notice in writing to the Trustee of the day, time and place thereof and of the nature of the business to be transacted thereat. Every such meeting shall be held at such time and place as the Trustee may appoint or approve.
3. At least 21 days' notice (exclusive of the day on which the notice is given and the day on which the meeting is to be held) specifying the place, day and hour of meeting shall be given to the holders of the relevant Notes prior to any meeting of such holders in the manner provided by Condition 14. Such notice, which shall be in the English language, shall state generally the nature of the business to be transacted at the meeting thereby convened but (except for an Extraordinary Resolution) it shall not be necessary to specify in such notice the terms of any resolution to be proposed. Such notice shall include statements, if applicable, to the effect that Notes may, not less than 48 hours before the time fixed for the meeting, be deposited with Paying Agents or (to their satisfaction) held to their order or under their control or blocked in an account with a clearing system for the purpose of obtaining voting certificates or appointing proxies. A copy of the notice shall be sent by post to the Trustee (unless the meeting is convened by the Trustee), to the relevant Issuer (unless the meeting is convened by the relevant Issuer), to Cadbury Holdings (unless the meeting is convened by Cadbury Holdings), (where the relevant Issuer is CSI) CSF (unless the meeting is convened by CSF) and (where the relevant Issuer is CSF) CSI (unless the meeting is convened by CSI).
4. A person (who may but need not be a Noteholder) nominated in writing by the Trustee shall be entitled to take the chair at the relevant meeting or adjourned meeting but if no such nomination is made or if at any meeting or adjourned meeting the person nominated shall not be present within 15 minutes after the time appointed for holding the meeting or adjourned meeting the Noteholders present shall choose one of their number to be Chairman, failing which the relevant Issuer may appoint a Chairman. The Chairman of an adjourned meeting need not be the same person as was Chairman of the meeting from which the adjournment took place.
5. At any such meeting one or more persons present holding Definitive Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-twentieth of the nominal amount of the Notes for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a Chairman) shall be transacted at any meeting unless the requisite quorum be present at the commencement of the relevant business. The quorum at any such meeting for passing an Extraordinary Resolution shall (subject as provided below) be one or more persons present holding Definitive Notes or voting certificates or being proxies and holding or representing in the aggregate a clear majority in nominal amount of the Notes for the time being outstanding PROVIDED THAT at any meeting the business of which includes any of the following matters (each of which shall,



subject only to Clause 19(B)(ii), only be capable of being effected after having been approved by Extraordinary Resolution) namely:

- (i) reduction or cancellation of the amount payable or, where applicable, modification, except where such modification is in the opinion of the Trustee bound to result in an increase, of the method of calculating the amount payable or modification of the date of payment or, where applicable, of the method of calculating the date of payment in respect of any principal or interest in respect of the Notes;
- (ii) alteration of the currency in which payments under the Notes, Receipts and Coupons are to be made;
- (iii) alteration of the majority required to pass an Extraordinary Resolution;
- (iv) the sanctioning of any such scheme or proposal as is described in paragraph 18(I) below; and
- (v) alteration of this proviso or the proviso to paragraph 6 below;

the quorum shall be one or more persons present holding Definitive Notes or voting certificates or being proxies and holding or representing in the aggregate not less than two-thirds of the nominal amount of the Notes for the time being outstanding.

6. If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any such meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the meeting shall if convened upon the requisition of Noteholders be dissolved. In any other case it shall stand adjourned to the same day in the next week (or if such day is a public holiday the next succeeding business day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall stand adjourned for such period, being not less than 13 clear days nor more than 42 clear days, and to such place as may be appointed by the Chairman either at or subsequent to such meeting and approved by the Trustee). If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either (with the approval of the Trustee) dissolve such meeting or adjourn the same for such period, being not less than 13 clear days (but without any maximum number of clear days), and to such place as may be appointed by the Chairman either at or subsequent to such adjourned meeting and approved by the Trustee, and the provisions of this sentence shall apply to all further adjourned such meetings. At any adjourned meeting one or more persons present holding Definitive Notes of the relevant one or more Series or voting certificates or being proxies (whatever the nominal amount of the Notes so held or represented by them) shall (subject as provided below) form a quorum and shall have power to pass any resolution and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had the requisite quorum been present PROVIDED THAT at any adjourned meeting the quorum for the transaction of business comprising any of the matters specified in the proviso to paragraph 5 above shall be one or more persons present holding Definitive Notes or voting certificates or being proxies and holding or representing in the aggregate not less than one-third of the nominal amount of the Notes for the time being outstanding.
7. Notice of any adjourned meeting at which an Extraordinary Resolution is to be submitted shall be given in the same manner as notice of an original meeting but as if 10 were substituted for 21 in paragraph 3 above and such notice shall state the required quorum. Subject as aforesaid it shall not be necessary to give any notice of an adjourned meeting.

8. Every question submitted to a meeting shall be decided in the first instance by a show of hands and in case of equality of votes the Chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he may be entitled as a Noteholder or as a holder of a voting certificate or as a proxy.
9. At any meeting unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman, any of the relevant Obligors, the Trustee or any person present holding a Definitive Note of the relevant Series or a voting certificate or being a proxy (whatever the nominal amount of the Notes so held or represented by him) a declaration by the Chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
10. Subject to paragraph 12 below, if at any such meeting a poll is so demanded it shall be taken in such manner and subject as hereinafter provided either at once or after an adjournment as the Chairman directs and the result of such poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the motion on which the poll has been demanded.
11. The Chairman may with the consent of (and shall if directed by) any such meeting adjourn the same from time to time and from place to place but no business shall be transacted at any adjourned meeting except business which might lawfully (but for lack of required quorum) have been transacted at the meeting from which the adjournment took place.
12. Any poll demanded at any such meeting on the election of a Chairman or on any question of adjournment shall be taken at the meeting without adjournment.
13. The Trustee and its lawyers and any director, officer or employee of a corporation being a trustee of these presents and any director or officer of the relevant Issuer or, as the case may be, Cadbury Holdings or, as the case may be, CSF (where the relevant Issuer is CSI) or, as the case may be, CSI (where the relevant Issuer is CSF) and its or their lawyers and any other person authorised so to do by the Trustee may attend and speak at any meeting. Save as aforesaid, but without prejudice to the proviso to the definition of "outstanding" in Clause 1, no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting of Noteholders or join with others in requesting the convening of such a meeting or to exercise the rights conferred on Noteholders by Condition 10 unless he either produces the Definitive Note or Definitive Notes of which he is the holder or a voting certificate or is a proxy. No person shall be entitled to vote at any meeting in respect of Notes held by, for the benefit of, or on behalf of, any of the relevant Obligors or any Holding Company or other Subsidiary of any of the relevant Obligors. Nothing herein shall prevent any of the proxies named in any block voting instruction from being a director, officer or representative of or otherwise connected with any of the relevant Obligors.
14. Subject as provided in paragraph 13 hereof at any meeting:
  - (A) on a show of hands every person who is present in person and produces a Definitive Note or voting certificate or is a proxy shall have one vote; and
  - (B) on a poll every person who is so present shall have one vote in respect of each £1.00 or such other pounds sterling amount as the Trustee may in its absolute discretion stipulate (or, in the case of meetings of holders of Notes denominated in another currency, such amount in such other currency as the Trustee in its absolute discretion

may stipulate) in nominal amount of the Definitive Notes so produced or represented by the voting certificate so produced or in respect of which he is a proxy.

Without prejudice to the obligations of the proxies named in any block voting instruction any person entitled to more than one vote need not use all his votes or cast all the votes to which he is entitled in the same way.

15. The proxies named in any block voting instruction need not be Noteholders.
16. Each block voting instruction together (if so requested by the Trustee) with proof satisfactory to the Trustee of its due execution on behalf of the relevant Paying Agent shall be deposited by the relevant Paying Agent at such place as the Trustee shall approve not less than 24 hours before the time appointed for holding the meeting or adjourned meeting at which the proxies named in the block voting instruction propose to vote and in default the block voting instruction shall not be treated as valid unless the Chairman of the meeting decides otherwise before such meeting or adjourned meeting proceeds to business. A notarially certified copy of each block voting instruction shall be deposited with the Trustee before the commencement of the meeting or adjourned meeting but the Trustee shall not thereby be obliged to investigate or be concerned with the validity of or the authority of the proxies named in any such block voting instruction.
17. Any vote given in accordance with the terms of a block voting instruction shall be valid notwithstanding the previous revocation or amendment of the block voting instruction or of any of the relevant Noteholders' instructions pursuant to which it was executed provided that no intimation in writing of such revocation or amendment shall have been received from the relevant Paying Agent by the relevant Issuer at its registered office (or such other place as may have been required or approved by the Trustee for the purpose) by the time being 24 hours before the time appointed for holding the meeting or adjourned meeting at which the block voting instruction is to be used.
18. A meeting of the Noteholders shall in addition to the powers hereinbefore given have the following powers exercisable only by Extraordinary Resolution (subject to the provisions relating to quorum contained in paragraphs 5 and 6 above) namely:
  - (A) Power to sanction any compromise or arrangement proposed to be made between the relevant Obligors, the Trustee, any Appointee and the Noteholders, Receipholders and Couponholders or any of them.
  - (B) Power to sanction any abrogation, modification, compromise or arrangement in respect of the rights of the Trustee, any Appointee, the Noteholders, the Receipholders, the Couponholders or any of the relevant Obligors against any other or others of them or against any of their property whether such rights shall arise under these presents or otherwise.
  - (C) Power to assent to any modification of the provisions of these presents which shall be proposed by any of the relevant Obligors, the Trustee or any Noteholder.
  - (D) Power to give any authority or sanction which under the provisions of these presents is required to be given by Extraordinary Resolution.
  - (E) Power to appoint any persons (whether Noteholders or not) as a committee or committees to represent the interests of the Noteholders and to confer upon such committee or committees any powers or discretions which the Noteholders could themselves exercise by Extraordinary Resolution.

- (F) Power to approve of a person to be appointed a trustee and power to remove any trustee or trustees for the time being of these presents.
  - (G) Power to discharge or exonerate the Trustee and/or any Appointee from all liability in respect of any act or omission for which the Trustee and/or such Appointee may have become responsible under these presents.
  - (H) Power to authorise the Trustee and/or any Appointee to concur in and execute and do all such deeds, instruments, acts and things as may be necessary to carry out and give effect to any Extraordinary Resolution.
  - (I) Power to sanction any scheme or proposal for the exchange or sale of the Notes for or the conversion of the Notes into or the cancellation of the Notes in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of any of the relevant Obligors or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of such shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities as aforesaid and partly for or into or in consideration of cash.
19. Any resolution passed at a meeting of the Noteholders duly convened and held in accordance with these presents shall be binding upon all the Noteholders whether present or not present at such meeting and whether or not voting and upon all Receipholders and Couponholders and each of them shall be bound to give effect thereto accordingly and the passing of any such resolution shall be conclusive evidence that the circumstances justify the passing thereof. Notice of the result of the voting on any resolution duly considered by the Noteholders shall be published in accordance with Condition 14 by the relevant Issuer within 14 days of such result being known PROVIDED THAT the non-publication of such notice shall not invalidate such result.
20. The expression “**Extraordinary Resolution**” when used in these presents means (a) a resolution passed at a meeting of the Noteholders duly convened and held in accordance with these presents by a majority consisting of not less than three-fourths of the persons voting thereat upon a show of hands or if a poll is duly demanded by a majority consisting of not less than three-fourths of the votes cast on such poll; or (b) a resolution in writing signed by or on behalf of all the Noteholders, which resolution in writing may be contained in one document or in several documents in like form each signed by or on behalf of one or more of the Noteholders.
21. Minutes of all resolutions and proceedings at every meeting of the Noteholders shall be made and entered in books to be from time to time provided for that purpose by the relevant Issuer and any such minutes as aforesaid if purporting to be signed by the Chairman of the meeting at which such resolutions were passed or proceedings transacted shall be conclusive evidence of the matters therein contained and until the contrary is proved every such meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed or proceedings transacted thereat to have been duly passed or transacted.
22. (A) If and whenever the relevant Issuer shall have issued and have outstanding Notes of more than one Series the foregoing provisions of this Schedule shall have effect subject to the following modifications:
- (i) a resolution which in the opinion of the Trustee affects the Notes of only one Series shall be deemed to have been duly passed if passed at a separate meeting of the holders of the Notes of that Series;

- (ii) a resolution which in the opinion of the Trustee affects the Notes of more than one Series but does not give rise to a conflict of interest between the holders of Notes of any of the Series so affected shall be deemed to have been duly passed if passed at a single meeting of the holders of the Notes of all the Series so affected;
  - (iii) a resolution which in the opinion of the Trustee affects the Notes of more than one Series and gives or may give rise to a conflict of interest between the holders of the Notes of one Series or group of Series so affected and the holders of the Notes of another Series or group of Series so affected shall be deemed to have been duly passed only if passed at separate meetings of the holders of the Notes of each Series or group of Series so affected; and
  - (iv) to all such meetings all the preceding provisions of this Schedule shall *mutatis mutandis* apply as though references therein to Notes and Noteholders were references to the Notes of the Series or group of Series in question or to the holders of such Notes, as the case may be.
- (B) If the relevant Issuer shall have issued and have outstanding Notes which are not denominated in pounds sterling in the case of any meeting of holders of Notes of more than one currency the nominal amount of such Notes shall (i) for the purposes of paragraph 2 above be the equivalent in pounds sterling at the spot rate of a bank nominated by the Trustee for the conversion of the relevant currency or currencies into pounds sterling on the seventh dealing day prior to the day on which the requisition in writing is received by the relevant Issuer and (ii) for the purposes of paragraphs 5, 6 and 14 above (whether in respect of the meeting or any adjourned such meeting or any poll resulting therefrom) be the equivalent at such spot rate on the seventh dealing day prior to the day of such meeting. In such circumstances, on any poll each person present shall have one vote for each £1.00 (or such other pounds sterling amount as the Trustee may in its absolute discretion stipulate) in nominal amount of the Notes (converted as above) which he holds or represents.
23. Subject to all other provisions of these presents the Trustee may, without the consent of any of the relevant Obligors, the Noteholders, the Receiptholders or the Couponholders, prescribe such further regulations regarding the requisitioning and/or the holding of meetings of Noteholders and attendance and voting thereat as the Trustee may in its sole discretion think fit.

**EXECUTED** as a deed by )  
**CADBURY SCHWEPPE** **FINANCE p.l.c.** )  
acting by )  
and: )

**EXECUTED** as a deed by )  
**CADBURY SCHWEPPE** )  
**INVESTMENTS plc** )  
acting by )  
and: )

**EXECUTED** as a deed by )  
**CADBURY HOLDINGS** )  
**LIMITED** )  
acting by )  
and: )

**THE COMMON SEAL** of )  
**THE LAW DEBENTURE TRUST** )  
**CORPORATION p.l.c.** )  
was affixed to this deed in )  
the presence of: )

**DATED 26TH MAY, 1999**

**MODIFIED AND RESTATED ON 24 JUNE 2008**

**CADBURY SCHWEPPE FINANCE p.l.c.  
as an Issuer and as Guarantor**

**- and -**

**CADBURY SCHWEPPE INVESTMENTS plc  
as an Issuer and as Guarantor**

**- and -**

**CADBURY HOLDINGS LIMITED  
(formerly Cadbury Schweppes Public Limited Company)  
as Guarantor**

**- and -**

**THE LAW DEBENTURE TRUST CORPORATION p.l.c.**

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**TRUST DEED**

**relating to a  
£5,000,000,000  
Euro Medium Term Note Programme**

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**ALLEN & OVERY**

**ALLEN & OVERY LLP**

**LONDON**

**EXECUTED** as a deed by )  
**CADBURY SCHWEPPE** **FINANCE p.l.c.** ) Director  
acting by )  
and )  
\_\_\_\_\_  
Director/Secretary

**EXECUTED** as a deed by )  
**CADBURY SCHWEPPE** ) Director  
**INVESTMENTS plc** )  
acting by )  
and )  
\_\_\_\_\_  
Director/Secretary

**EXECUTED** as a deed by )  
**CADBURY HOLDINGS** ) Director  
**LIMITED** )  
acting by )  
and )  
\_\_\_\_\_  
Director/Secretary

**THE COMMON SEAL** of )  
**THE LAW DEBENTURE TRUST** )  
**CORPORATION p.l.c.** )  
was affixed to this deed in )  
the presence of: )



ASSIGNMENT OF AGREEMENT

This ASSIGNMENT is made this 1<sup>st</sup> day of January, 2008.

WITNESSETH:

RECITALS

WHEREAS, CBI Holdings Inc. ("CBI") and H. Todd Stitzer ("Executive") are parties to an employment agreement ("Agreement") dated July 1, 2004, as varied on March 30, 2007; and

WHEREAS, Cadbury Adams Holdings LLC ("CAH"), a Delaware Limited Liability Company, is a subsidiary of CBI; and

WHEREAS, CBI desires to assign its rights and obligations under the Agreement to CAH as a successor in interest of CBI in accordance with Section 14 of the Agreement and, in connection with such assignment, to require that CAH fully assume all of CBI's obligations under the Agreement; and

WHEREAS, CAH desires to accept assignment of the Agreement and, in connection with the acceptance of such assignment, to succeed to CBI's rights under the Agreement and to fully assume all of CBI's obligations under the Agreement.

NOW, THEREFORE, in consideration of the premises and the mutual promises herein contained, the parties hereto covenant and agree as follows:

1. CBI does hereby assign its rights and obligations under the Agreement to CAH as a successor in interest of CBI and, in connection with such assignment, does hereby require that CAH fully assume all of CBI's obligations under the Agreement.

2. CAH does hereby accept assignment as a successor in interest of CBI and, in connection with the acceptance of such assignment, does hereby succeed to CBI's rights under the Agreement and does hereby fully assume all of CBI's obligations under the Agreement.

IN WITNESS WHEREOF, CBI Holdings Inc. and Cadbury Adams USA LLC have caused this Assignment to be executed by their duly authorized officers, all as of the day, month and year first above written.

CBI Holdings Inc.

By: /s/ Jim Baldwin  
Name: Jim Baldwin  
Title: EVP & Secretary

Agreed to this 15 day of January, 2008.

By: /s/ H. Todd Stitzer  
H. Todd Stitzer

Cadbury Adams Holdings LLC

By: /s/ Gary Lyons  
Name: Gary Lyons  
Title: EVP

**Letter of Variation to Employment Agreement**  
**By and between H. Todd Stitzer, Cadbury Holdings Limited**  
**and Cadbury Adams Holdings LLC**  
**As effective July 1, 2004**

This Letter of Variation to the existing Employment Agreement by and between H. Todd Stitzer, Cadbury Holdings Limited and Cadbury Adams Holdings LLC effective as of July 1, 2004 (the "Agreement") is intended to bring the Agreement into compliance with recent IRS requirements relating to the payment of deferred compensation and to make other necessary updates to the Agreement. This Letter of Variation does not change the aggregate amount of the benefits payable under the Agreement. Effective as if included originally in the Agreement, the parties hereby agree that the Agreement is hereby amended as follows:

1. All references in the Agreement to CBI Holdings, Inc. and CBI are hereby changed to Cadbury Adams Holdings LLC and CAH, respectively.
2. The last sentence of Clause 3(E) of the Agreement is hereby amended to read as follows:  
"All benefits, including the Executive's salary, bonus and other benefits provided under Clauses 4, 5, 6, 7, 8 and 9, will not cease to be payable by reason only of suspension or exclusion; provided, however, that in the event this period is intended to continue for the remaining period of notice in Clause 2(A), any payments payable under this Clause 3(E), to the extent required by Section 409A (as defined in Clause 24) will be delayed until the date 6 months and 2 days following such separation from service. Interest will be paid on the deferred amount, with the amount of such interest calculated using the Pension Equalization Plan interest crediting rate."
3. Clause 5(A) of the Agreement is hereby amended by adding the following sentence to the end thereof:  
"Nothing in this Agreement shall change the time or form of payment of benefits under the Company's pension plans."
4. Clause 5(B) of the Agreement is hereby amended by adding the following sentence to the end thereof:  
"The amounts payable under this Clause 5(B) shall be at the same time as benefits are paid under the Pension Equalization Plan."
5. Clause 7(A) of the Agreement is hereby amended by adding the following sentence to the end thereof:

“No change in salary pursuant to this Clause 7(A) will be made until the next January 1st which follows the effective date of the reduction in benefits.”

6. Clause 7(C) of the Agreement is hereby amended by adding the following paragraph to the end thereof:

“For this purpose, ‘incapacity’ means (A) the Executive is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, or (B) the Executive is, by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under an accident and health plan covering employees of CAH or the Company.”

7. Clause 8 of the Agreement is hereby amended by adding the following sentence to the end thereof:

“The Executive shall submit all invoices for such incurred costs to the Company no later than 30 days prior to the end of the taxable year following the taxable year in which they were incurred. The Company shall reimburse the Executive for such costs within 14 days of receipt of such invoices.”

8. The first sentence of Clause 16 of the Agreement is hereby amended to read as follows:

“If the Executive is absent from his duties with CAH and the Company for at least twelve consecutive months by reason of incapacity as defined in Clause 7(C), CAH or the Company on behalf of CAH may terminate his employment immediately, provided that such termination does not prejudice the Executive’s entitlements under the applicable disability plan or plans of CAH or any subsidiary of CAH then in effect.”

9. Clause 18(A) of the Agreement is amended to read as follows:

“(A) Subject to Clause 18(B), in any of the circumstances described in Clause 17(B), the Company shall forthwith pay to the Executive by way of liquidated damages the following amounts and shall provide the following benefits:

- (i) the Company shall pay the Executive in a lump sum an amount equal to the Executive’s full gross salary for one year assuming that salary had continued to be paid at the same rate as immediately prior to the date of termination (the reference to ‘gross salary’ in this Clause 18(A) shall mean Executive’s base salary before any withholdings but excluding any bonuses, pension allowance, special compensation, foreign service premiums, tax equalisation payments, cost of living adjustments and fringe benefits);

- (ii) the Company shall pay the Executive in a lump sum an amount equal to the Executive's target AIP award in effect when the notice of termination is given under Clause 18(C)(i);
- (iii) the Company shall pay the Executive the value of the additional accrued benefit the Executive would have received had the Executive continued to participate in the pension plans described in Clause 5. Such payment will be made at the same time as payment is made pursuant to the Pension Equalization Plan. The Executive's participation in disability plans and Executive's travel accident insurance shall terminate on termination of employment;
- (iv) the Company shall continue the Executive's right to use a car described in Clause 6 and the Executive's benefits described in Clause 7(A) at no cost to the Executive for a period of one year after the date of termination or if earlier (1) the commencement of equivalent benefits from the Executive's new employer or (2) Executive's attaining the age of 60. If the Executive is a specified employee as of the date of such termination, the Executive shall pay CAH an amount equal to the fair market value of the lease payments on the company car during the six months immediately following the Executive's termination. Upon the date six months and two days following the Executive's termination, CAH shall repay the Executive the amount of such lease payments, with interest. The amount of such interest shall be calculated using the Pension Equalization Plan interest crediting rate;
- (v) the Company shall make available at its expense to the Executive the services of an outplacement firm designated by the Company, provided that all such benefits will be provided no later than the end of the second calendar year following his termination of employment; and
- (vi) the Company shall pay reasonable legal costs incurred by the Executive in connection with the preparation of a compromise agreement up to a maximum of £15,000, provided that such amount shall be paid to the Executive on the 30th day following termination of employment.

The amounts described in (i) and (ii) above shall be paid in a lump sum payment within 30 days of termination. Notwithstanding the foregoing, if the Executive is a specified employee as of the date of such termination, payment of any payments or benefits made under Clause 18(A) that are nonqualified deferred compensation subject to Section 409A (as defined in Clause 24) will be delayed six months and two days after the Executive's date of termination. Interest will be paid on the deferred amount, with the amount of such interest calculated using the Pension Equalization Plan interest crediting rate."

10. The last sentence of Clause 18(D) is hereby amended to read as follows:

"Such payment shall be calculated by multiplying such actual award by a fraction, the numerator of which is the number of weeks in the applicable year which precede the date of termination and the denominator of which is 52 (such pro rata

amount shall be paid to the Executive by the Company in a lump sum during the sixty (60) day period following the end of the calendar year in which the date of termination occurs).”

11. Existing Clause 24 is renumbered as Clause 25, and a new Clause 24 is added to the Agreement to read as follows:

“24. Section 409A

Each payment under this Agreement, including each payment in a series of installment payments, is intended to be a separate payment for purposes of Treas. Reg. § 1.409A-2(b), and is intended to be: (i) exempt from Section 409A of the Code, the regulations and other binding guidance promulgated thereunder (‘Section 409A’), including, but not limited to, by compliance with the short-term deferral exemption as specified in Treas. Reg. § 1.409A-1(b)(4) and the involuntary separation pay exception within the meaning of Treas. Reg. § 1.409A-1(b)(9) (iii), or (ii) in compliance with Section 409A, including, but not limited to, being paid pursuant to a fixed schedule or specified date pursuant to Treas. Reg. § 1.409A-3(a) and the provisions of this Agreement will be administered, interpreted and construed accordingly (or disregarded to the extent such provision cannot be so administered, interpreted, or construed).”

The parties have executed this Letter of Variation this 29<sup>th</sup> day of December 2008, effective as of the date specified herein.

**CADBURY HOLDINGS LIMITED**

By: /s/ Don Mackinlay  
Name: Don Mackinlay  
Title: Global Remuneration and Benefits Director

**CADBURY ADAMS HOLDINGS LLC**

By: /s/ Gary Lyons  
Name: Gary Lyons  
Title: Executive Vice President

**EXECUTIVE**

/s/ H. Todd Stitzer  
H. Todd Stitzer

**Dated** \_\_\_\_\_

**CADBURY PLC**

**and**

**[DIRECTOR]**

---

**DEED OF INDEMNITY**

---

**Slaughter and May  
One Bunhill Row  
London EC1Y 8YY  
(RAC/JRYC)  
CA081610013**



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**THIS DEED** is made on the                    day of December, 2008

**BETWEEN:**

1. **CADBURY PLC**, a company incorporated in England and Wales (registered number 6497379), whose registered office is at Cadbury House, Sanderson Road, Uxbridge UB8 1DH (the “**Company**”); and
2. [            ] (the “**Director**”).

**WHEREAS:**

- (A) The Director is a director of the Company on the date of this Deed.
- (B) The Company has agreed to indemnify the Director, and the Director has agreed to give certain undertakings to the Company, in each case on the terms of and subject to the conditions in this Deed.

**THIS DEED PROVIDES** as follows:

**1. Interpretation**

1.1 In this Deed:

“ <b>Act</b> ”	means the Companies Act 2006;
“ <b>Business Day</b> ”	means a day (other than a Saturday or a Sunday) on which banks are open for business (other than solely for trading and settlement in euro) in London;
“ <b>Confidential Information</b> ”	has the meaning given in sub-clause 12.1;
“ <b>Employment Contract</b> ”	means any contract of employment (or in the case of a non-executive director, any applicable letter of appointment) in effect from time to time between the Director and the Company or a Group Company;
“ <b>Group Company</b> ”	means any body corporate that is a group undertaking of the Company from time to time (body corporate and group undertaking having the meanings ascribed to them respectively in section 1173 and section 1161 of the Act);
“ <b>Indemnity Claim</b> ”	means any investigation, demand, claim, action or proceeding brought or threatened which could give rise to any claim, action or demand by the Director against the Company

under sub-clause 2.1;

**“Pre-Contractual Statement”** has the meaning given in sub-clause 10.4;

**“Proceedings”** means any proceeding, suit or action arising out of or in connection with this Deed; and

**“Service Document”** means a claim form, application notice, order, judgment or other document relating to any Proceedings.

1.2 In this Deed:

- (A) references to Clauses and sub-clauses are to clauses and sub-clauses of this Deed;
- (B) use of any gender includes the other gender;
- (C) a reference to any statute or statutory provision shall be construed as a reference to the same as it may have been, or may from time to time be, amended, modified or re-enacted; and
- (D) headings and titles are inserted for convenience only and are to be ignored in the interpretation of this Deed.

1.3 If there is any inconsistency between the provisions of this Deed and the provisions of any Employment Contract, the provisions of this Deed shall prevail.

## **2. Indemnity and Loan of Funds for Defence Proceedings**

2.1 Subject to sub-clause 2.5, sub-clause 2.8 and Clause 4, the Company undertakes to indemnify the Director against any and all liability suffered or incurred by the Director on or after the date of this Deed in respect of the Director’s acts or omissions while, or in the course of acting as, Director or employee of the Company or a director or employee of any Group Company or which otherwise arises by virtue of the Director holding or having held such office, in each case, to the extent arising out of or in connection with, directly or indirectly, any investigation, demand, claim, action or proceeding brought or threatened against the Director or any other person in any jurisdiction PROVIDED THAT, without prejudice to any other rights or remedies available to the Director, this indemnity shall not extend to any liability suffered or incurred by the Director:

- (A) arising out of, based upon or attributable to any dishonest or fraudulent act or fraudulent omission by the Director; or
- (B) in respect of which the Company would be prohibited, from time to time, by applicable law or regulation from indemnifying the Director,

and PROVIDED THAT this indemnity shall not extend to any loss of earnings or any other employment benefit including, without limitation, rights to bonus or other monetary incentives, share options or other share-based incentives or pension or other retirement benefits which the Director may suffer as a result of any period of loss of office imposed by any relevant court, tribunal or other legal or regulatory authority.

- 2.2 Without prejudice to sub-clause 2.1 but subject always to sub-clauses 2.3 and 2.4, the Company undertakes to loan such funds to the Director as the Company, in its reasonable discretion, considers appropriate for the Director to meet expenditures incurred or to be incurred by the Director:
- (A) in defending any criminal or civil proceedings in connection with any alleged negligence, default, breach of duty or breach of trust by the Director in relation to the Company or any Group Company; or
  - (B) in defending himself:
    - (i) in an investigation by a regulatory authority; or
    - (ii) against action proposed to be taken by a regulatory authorityin connection with any alleged negligence, default, breach of duty or breach of trust by the Director in relation to the Company or any Group Company; or
  - (C) in connection with any application for relief under (a) section 661(3) or (4) of the Act or (b) section 1157 of the Act.
- 2.3 If the Company considers it appropriate to make any loan pursuant to sub-clause 2.2 and any law, regulation or listing rule in force from time to time requires that such loan may only be made with the prior approval of the shareholders of the Company, the Director acknowledges that the Company may only make such loan once the relevant shareholder approval has been obtained.
- 2.4 If the Company considers it appropriate to make any loan pursuant to sub-clause 2.2, such loan shall be on such terms as the Company, in its reasonable discretion, deems appropriate or desirable provided always that the loan shall in any event be repaid as required by the Act.
- 2.5 If the Director is at any time entitled (whether by reason of insurance or otherwise) to recover from some other person any sum in respect of any matter giving rise (or which may give rise) to a claim under sub-clause 2.1 (whether before or after the Company has made a payment thereunder) the Director shall:
- (A) promptly notify the Company and provide such information as the Company may reasonably require relating to such right of recovery and the steps taken or to be taken by the Director in connection with it;

(B) unless such entitlement is contingent upon the Director having first exhausted his rights to indemnification in respect of the relevant liability under this Deed, if so required by the Company take all steps (whether by way of a claim against its insurers or otherwise including, without limitation, legal proceedings) as the Company may reasonably require to enforce such recovery; and

(C) keep the Company fully informed of the progress of any action taken;

and thereafter any claim against the Company under sub-clause 2.1 shall be limited to the amount by which the liability suffered by the Director as a result of the matter giving rise to the claim under sub-clause 2.1 shall exceed the amount so recovered.

2.6 If the Company pays to the Director an amount pursuant to sub-clause 2.1 or makes a loan under sub-clause 2.2 and the Director subsequently recovers from a third party a sum which is referable to the matter giving rise to the relevant liability, the Director shall forthwith repay to the Company:

(A) an amount equal to the sum recovered from the third party less any reasonable out-of-pocket costs and expenses incurred by the Director in recovering the same; or

(B) if the figure resulting under sub-clause (A) above is greater than the amount paid by the Company to the Director in respect of the relevant liability, such lesser amount as shall have been so paid by the Company.

2.7 References in this Clause to acts or omissions are to acts or omissions respectively carried out, made or omitted to be made before, on or after the date of this Deed.

2.8 If the Director fails to comply with his obligations under Clause 3 in any material respect then the Company's obligation to indemnify the Director under sub-clause 2.1 in respect of the relevant Indemnity Claim shall be limited to the amount which the Director would have been entitled to receive pursuant to such sub-clause in the absence of such failure.

### **3. Conduct of Claims and Access to Information**

3.1 Without prejudice to sub-clause 3.2, if the Director becomes aware of any Indemnity Claim (or any circumstances which may reasonably be expected to give rise to an Indemnity Claim) the Director shall:

(A) as soon as practicable thereafter, notify the Company in writing of the existence of such Indemnity Claim (or circumstances), giving reasonable details in that notification (or, to the extent that such details are not available to the Director at that time, as soon as possible thereafter) of the person(s) making (or expected to make) such Indemnity Claim, the circumstances leading to (or expected to lead to), and the grounds for, that Indemnity Claim and the quantum or possible quantum of the Indemnity Claim;

- (B) subject to the Company agreeing to pay the reasonable out-of-pocket expenses of the Director, take such action and give such information and assistance and access to premises, chattels, documents and records as the Company may reasonably request in order to avoid, dispute, resist, mitigate, settle, compromise, defend or appeal such Indemnity Claim or judgment or adjudication with respect thereto (including, without limitation, instructing such solicitors or other professional advisers as the Company may nominate to act on the Director's behalf but in accordance with the Company's sole instructions);
- (C) without prejudice to the generality of sub-clause (B) above, at the request of the Company, allow the Company to take the sole conduct of such actions in the name of the Director as the Company may deem appropriate in connection with such Indemnity Claim;
- (D) without prejudice to the generality of sub-clause (B) above, make no admission of liability, agreement, settlement or compromise with any person in relation to such Indemnity Claim without the prior written consent of the Company; and
- (E) take all reasonable action to mitigate any loss suffered by the Director in respect of such Indemnity Claim.

3.2 The Company shall be entitled at any stage and at its sole discretion to settle any Indemnity Claim and shall be under no obligation to discuss with the Director its decision to settle an Indemnity Claim.

#### **4. Establishment of Liability**

The Company shall only be liable in respect of any claim made by the Director under sub-clause 2.1 if and to the extent that such claim is admitted by the Company or proven in a court of competent jurisdiction.

#### **5. D&O Insurance**

The Company shall use reasonable endeavours to purchase and maintain insurance cover for directors' and officers' liabilities on reasonable commercial terms (including as to cover for former directors) for so long as the Director is a director of the Company and for at least six years thereafter.

#### **6. Notices**

6.1 A notice under this Deed shall only be effective if it is in writing.

6.2 Notices under this Deed shall be sent to a party at its address and, in the case of the Company, for the attention of the individual, set out below:

**Party and title of individual**

Company  
Attention: Group Secretary

**Address**

The registered office of the Company from time to time  
being at the date of this Deed:

Cadbury House, Sanderson Road, Uxbridge UB8  
1DH

Director

The Beeches, 17 Stratton Road, Beaconsfield,  
Buckinghamshire HP9 1HR

PROVIDED THAT either party may change its notice details on giving notice to the other party of the change in accordance with this Clause. That notice shall only be effective on the date falling five Business Days after the notification has been received or on such later date as may be specified in the notice.

6.3 Any notice given under this Deed shall, in the absence of earlier receipt, be deemed to have been duly given as follows:

- (A) if delivered personally, on delivery; and
- (B) if sent by first class post, two clear Business Days after the date of posting.

6.4 No notice given under this Deed may be withdrawn or revoked except by notice given in accordance with this Clause.

6.5 The provisions of this Clause shall not apply in relation to the service of Service Documents.

## 7. Remedies and Waivers

7.1 No delay or omission by either party to this Deed in exercising any right, power or remedy provided by law or under this Deed shall affect that right, power or remedy or operate as a waiver of it.

7.2 The single or partial exercise of any right, power or remedy provided by law or under this Deed shall not preclude any other or further exercise of it or the exercise of any other right, power or remedy.

7.3 The rights, powers and remedies provided in this Deed are cumulative and not exclusive of any rights, powers and remedies provided by law.

## 8. Invalidity

If at any time any provision of this Deed is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, that shall not affect or impair:

- (A) the legality, validity or enforceability in that jurisdiction of any other provision of this Deed; or
- (B) the legality, validity or enforceability under the law of any other jurisdiction of that or any other provision of this Deed.

## 9. Contracts (Rights of Third Parties) Act 1999

The parties to this Deed do not intend that any term of this Deed should be enforceable, by virtue of the Contracts (Rights of Third Parties) Act 1999, by any person who is not a party to this Deed.

## 10. Entire Agreement

- 10.1 This Deed and, subject to sub-clause 1.3, any provision of any Employment Contract under which the Director is, or is entitled to be, indemnified by the Company, constitute the whole and only agreement between the parties relating to the indemnification of the Director by the Company, the funding of defending proceedings against the Director and the obligations of the parties in relation to Indemnity Claims.
- 10.2 Each party acknowledges that in entering into this Deed it is not relying upon any Pre-Contractual Statement which is not set out in this Deed.
- 10.3 Except in the case of fraud, no party shall have any right of action against any other party to this Deed arising out of or in connection with any Pre-Contractual Statement except to the extent that it is repeated in this Deed.
- 10.4 For the purposes of this Clause, "Pre-Contractual Statement" means any draft, agreement, undertaking, representation, warranty, promise, assurance or arrangement of any nature whatsoever, whether or not in writing, relating to:
  - (A) the indemnification of the Director by the Company; and/or
  - (B) the funding of defending proceedings against the Director; and/or
  - (C) the obligations of the parties in relation to Indemnity Claims,
 made or given by any person at any time prior to the date of this Deed.
- 10.5 This Deed may only be varied in writing signed by each of the parties.



**11. Assignment**

- 11.1 The Company may at any time assign all or any part of the benefit of, or its rights or benefits under, this Deed to any Group Company.
- 11.2 The Director shall not assign, or purport to assign, all or any part of the benefit of, or his rights or benefits under, this Deed.

**12. Confidentiality**

- 12.1 Subject to sub-clause 12.2, the Director shall treat as confidential and shall not disclose to any person all information which relates to:

- (A) an Indemnity Claim (including without limitation the existence of an Indemnity Claim);
  - (B) any claim or payment made under sub-clause 2.1 or under sub-clause 2.2
- (any such information being "Confidential Information").

- 12.2 Notwithstanding the other provisions of this Clause, the Director may disclose Confidential Information:

- (A) to his professional advisers provided that he procures that such advisers comply with the restrictions contained in this Clause as if such advisers were a party to this Deed;
- (B) if and to the extent required by law;
- (C) if and to the extent the Confidential Information has come into the public domain through no fault of that party; or
- (D) if and to the extent the Company has given prior written consent to the disclosure, such consent not to be unreasonably withheld or delayed.

Any Confidential Information to be disclosed by the Director pursuant to paragraphs (B) or (C) shall be disclosed only after notice to the Company.

- 12.3 The restrictions contained in this Clause shall continue to apply after the termination of this Deed, and, for the avoidance of doubt, after the Director ceases to be a director of the Company, in each case without limit in time.

**13. Termination**

- 13.1 Subject to sub-clause 13.4 below, this Deed shall terminate as regards the Director's holding of a directorship in the Company or a Group Company on the first date on which the Director ceases to hold such directorship.

- 13.2 The Company may terminate this Deed at any time by giving not less than 180 days' prior written notice to the Director.
- 13.3 Any termination pursuant to sub-clauses 13.1 or 13.2 of this Deed ("**Termination**") shall not affect:
- (A) any rights or obligations in respect of any matter notified pursuant to Clause 3 of this Deed prior to Termination; or
  - (B) the right of the Director to be indemnified in accordance with the terms of this Deed in respect of any liability which relates to an Indemnity Claim made before or after Termination in respect of any act, omission or matter occurring prior to Termination, provided that such Indemnity Claim is notified to the Company in accordance with Clause 3 and, in any event, within five years of the date of Termination. For the avoidance of doubt, where the Director ceases to hold office and accordingly the provisions of this Deed cease to apply in respect of that office pursuant to Clause 13.1, the five year period in respect of Indemnity Claims relating to that office commences from his ceasing to hold that office notwithstanding that this Deed may remain in force as regards other offices held by the Director.
- 13.4 The provisions of Clauses 9, 10, 11, 12, 13, 15, 16 and 17 of this Deed will survive Termination. The other provisions of this Deed will survive Termination so far as relevant in relation to any Indemnity Claim covered by sub-clause 13.3.

#### **14. Counterparts**

- 14.1 This Deed may be executed in any number of counterparts, and by the parties on separate counterparts, but shall not be effective until each party has executed at least one counterpart.
- 14.2 Each counterpart shall constitute an original of this Deed, but all the counterparts shall together constitute but one and the same instrument.

#### **15. Choice of Governing Law**

This Deed is governed by, and shall be construed in accordance with, English law.

#### **16. Jurisdiction**

The courts of England are to have jurisdiction to settle any dispute arising out of or in connection with this Deed. Any Proceedings may therefore be brought in the English courts.

#### **17. Director's Absence and Agent for Service**

- 17.1 If at any time after the date of this Deed the Director is not or ceases to be ordinarily resident in England or Wales, the Director shall forthwith appoint an agent for the

receipt of Service Documents having an address for service in England or Wales (the “**Agent**”) who is, subject to sub-clause 17.5, to act as such during any period in which the Director is not so ordinarily resident and thereafter until the Director has served a notice on the Company in accordance with sub-clause 17.5 (an “**Absence Period**”). As soon as possible after such appointment the Director shall notify the name and address of the Agent to the Company in writing. The Director agrees that any Service Document may be effectively served on him during any Absence Period in connection with Proceedings in England and Wales by service on the Agent effected in any manner permitted by the Civil Procedure Rules.

- 17.2 If the Director fails to appoint an Agent and to notify the name and address of an Agent to the Company in accordance with sub-clause 17.1, the Company shall be entitled by notice to the Director to appoint an Agent to act on behalf of the Director.
- 17.3 If an Agent at any time ceases for any reason to act as such, the Director shall appoint a replacement Agent having an address for service in England or Wales and shall notify the Company of the name and address of the replacement Agent. Failing such appointment and notification, the Company shall be entitled by notice to the Director to appoint a replacement Agent to act on behalf of the Director. The provisions of this Clause applying to service on an Agent apply equally to service on a replacement Agent.
- 17.4 A copy of any Service Document served on the Agent during any Absence Period shall be sent by post to the Director. Failure or delay in so doing shall not prejudice the effectiveness of service of the Service Document.
- 17.5 If, having not been or having ceased to be ordinarily resident in England or Wales, the Director becomes, or returns to being, so ordinarily resident, the Director shall, as soon as possible, send written notice to the Company:
- (A) informing the Company of that fact; and
  - (B) notifying the Company of an address for service of Service Documents in England or Wales,
- and, with effect from the Company’s receipt of that notice, any Agent appointed pursuant to this Clause (including, without limitation, any replacement Agent appointed pursuant to sub-clause 17.3) shall cease to be regarded as the Director’s agent for the receipt of Service Documents for the purposes of this Deed.

**IN WITNESS** of which this document has been executed and delivered as a deed on the date which first appears on page 1 above.

Executed as a deed by **CADBURY PLC**  
acting by a director in the presence of:

)  
)  
)

\_\_\_\_\_  
Director

\_\_\_\_\_  
Signature of witness

\_\_\_\_\_  
Printed name of witness

\_\_\_\_\_  
Address of witness

\_\_\_\_\_  
Occupation of witness

Executed as a deed by  
**[DIRECTOR]**  
in the presence of:

)  
)  
)

\_\_\_\_\_  
Director

\_\_\_\_\_  
Signature of witness

\_\_\_\_\_  
Printed name of witness

\_\_\_\_\_  
Address of witness

\_\_\_\_\_  
Occupation of witness

**Group Companies**

Cadbury plc is a holding company that operates through its subsidiaries and associated undertakings, which are set forth below.

	Activities	Country of incorporation and operation	Proportion of issued share capital held if not 100%
<b>Details of principal associated undertakings</b>			
Camelot Group plc	(c)	Great Britain (ii)	20%
Crystal Candy (Private) Ltd	(a)	Zimbabwe (i)	49%
Meito Adams Company Ltd	(c)	Japan	50%
Xtrapack Ltd	(c)	Great Britain (ii)	30%
<b>Details of principal subsidiary undertakings</b>			
Operating companies (unless otherwise stated)			
<b>United Kingdom:</b>			
Cadbury UK (an unincorporated partnership operating in Great Britain between Cadbury UK Ltd, Trebor Bassett Ltd and the Old Leo Company Ltd)	(a)	n/a	
<b>Europe:</b>			
Cadbury España, SL	(a)	Spain	
Cadbury France	(a)	France	
Cadbury Hellas AE	(a)	Greece	
Cadbury Ireland Ltd	(a)	Ireland	
Cadbury Portugal — Produtos de Conféitaria, Lda	(a)	Portugal	
Cadbury Switzerland Faguet & Co	(a)	Switzerland	
Cadbury Wedel Sp. zo.o.	(a)	Poland	
Dandy A/S	(a)	Denmark	
Dirol Cadbury LLC	(a)	Russia	
Intergum Gida Sanayi ve Ticaret Anonim Sirketi	(a)	Turkey	
Kent Gida Maddeleri Sanayii ve Ticaret Anonim Sirketi	(a)	Turkey (ii)	95.36%
<b>Americas:</b>			
Cadbury Adams Brasil Industria e Comercio de Produtos Alimenticios Ltda	(a)	Brazil	
Cadbury Adams Canada Inc	(a)	Canada	
Cadbury Adams Distribution Mexico, SA de CV	(a)	Mexico	
Cadbury Adams Mexico, S de RL de CV	(a)	Mexico	
Cadbury Adams, SA	(a)	Venezuela	
Cadbury Adams USA LLC	(a)	US (i)	
Cadbury Stani Adams Argentina SA	(a)	Argentina (ii)	
Cadbury Adams Colombia SA	(a)	Colombia	
<b>Other overseas:</b>			
Cadbury Adams Thailand	(a)	Thailand	
Cadbury Confectionery Ltd	(a)	New Zealand	
Cadbury Enterprises Pte Ltd	(a)	Singapore	
Cadbury India Ltd	(a)	India	97.61%
Cadbury Japan Ltd	(a)	Japan	
Cadbury Nigeria plc	(a)	Nigeria	50.02%
Cadbury Schweppes Pty Ltd	(a)(b)	Australia	
Cadbury South Africa (Pty) Ltd	(a)	South Africa	
<b>Finance and holding companies:</b>			
Alford Ltd	(c)	Ireland	
Berkeley Re Ltd	(c)	Ireland	
Cadbury Holdings Ltd*	(c)	Great Britain	
Cadbury Schweppes Asia Pacific Pte Ltd	(c)	Singapore	
Cadbury Schweppes Finance plc	(c)	Great Britain	
Cadbury Netherlands International Holdings B.V.	(c)	Netherlands (i)	
Cadbury Schweppes Investments plc	(c)	Great Britain	
Cadbury Schweppes Overseas Ltd	(c)	Great Britain	
Cadbury Schweppes Treasury Services	(c)	Ireland (i)	
CS Confectionery Inc	(c)	US	
Vantas International Ltd	(c)	Great Britain	

\* Investment directly held by Cadbury plc

Advantage has been taken of Section 231(5) of the Companies Act 1985 to list only those undertakings as are required to be mentioned in that provision, as an exhaustive list would involve a statement of excessive length.

The nature of the activities of the individual companies is designated as follows:

- (a) Confectionery
- (b) Beverages
- (c) Other (including holding companies)

The percentage voting right for each principal subsidiary is the same as the percentage of ordinary shares held.

Issued share capital represents only ordinary shares or their equivalent except for companies marked (i) where there are also preference shares or (ii) where there are both A and B classes of ordinary shares.

## CERTIFICATION

I, Todd Stitzer, certify that:

1. I have reviewed this annual report on Form 20-F of Cadbury plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: 31 March 2009

/s/ Todd Stitzer

\_\_\_\_\_  
Todd Stitzer  
Chief Executive Officer

## CERTIFICATION

I, Ken Hanna, certify that:

1. I have reviewed this annual report on Form 20-F of Cadbury plc;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;
4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the company and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and
5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: 31 March 2009

/s/ Ken Hanna  
\_\_\_\_\_  
Ken Hanna  
Chief Financial Officer



**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 20-F of Cadbury plc (the "Company") for the fiscal year ending December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company hereby certifies to the undersigned's knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: 31 March 2009

/s/ Todd Stitzer

Todd Stitzer  
Chief Executive Officer

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 20-F of Cadbury plc (the "Company") for the fiscal year ending December 31, 2008 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned officer of the Company hereby certifies to the undersigned's knowledge, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Section 1350), that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: 31 March 2009

/s/ Ken Hanna

Ken Hanna  
Chief Financial Officer

# Deloitte.

Deloitte LLP  
2 New Street Square  
London EC4A 3BZ

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Fax: +44 (0)20 7583 1198  
LDE: DX 599  
www.deloitte.co.uk

The Board of Directors  
Cadbury plc  
Cadbury House  
Sanderson Road  
Uxbridge  
Middlesex  
UB8 1DH

26 March 2009

Dear Sirs

## CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-101526 on Form S-8 of our reports dated 26 March 2009, relating to the financial statements of Cadbury plc, and the effectiveness of Cadbury plc's internal control over financial reporting, appearing in this Annual Report on Form 20-F of Cadbury plc for the year ended 31 December 2008.



Deloitte LLP  
Chartered Accountants and Registered Auditors  
London, United Kingdom  
26 March 2009

Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom.

Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu ('DTT'), a Swiss Verein, whose member firms are legally separate and independent entities. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DT and its member firms

Member of Deloitte Touche Tohmatsu

