Cadbury

focused on performance

delivering against our plan

Annual Report & Accounts 2008

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Forward-Looking Statements
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 our Form 20-F filed with the US Securities and Exchange Commission and posted on Cadbury plc's website www.cadbury.com. 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. 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.

Welcome to Cadbury. We create chocolate, gum and candy treats people love – brands such as Cadbury Dairy Milk, Trident and Halls.

Our vision is to be the biggest and the best confectionery company in the world.

In our Overview and Strategic review we have improved the ease with which you should be able to cross refer to related information or topics. Look for page references or flags for additional online content throughout the text. Links are illustrated with the following markers:

P01 Cross reference to a page with more information
www Further information available online

Our online Report & Accounts has additional features and functionality which you may find useful. Many of our shareholders no longer receive the Report & Accounts from us in printed form, helping us to reduce the impact on the environment and to save costs. **www.cadbury.com/annualreport08**

These features include:
> Ability to create and download a bespoke report by selecting specific pages
> Financial statements available as PDF and Excel spreadsheets
> Facility to send links to specific pages by email

To receive all future shareholder communications electronically, please go to www-uk.computershare.com/investor/security/email capture.asp to register.

the world of confectionery

Confectionery is:
> large – a $150bn+ retail market
> growing steadily
> brand-led
> impulse-driven

The confectionery market splits into 3 categories

chocolate

55%

Cadbury has a total confectionery model with strong

46%

‘We are painting the world purple’

Cadbury is one of the world’s largest confectionery companies with:
> over 10% market share
> a strong 200-year heritage
> an outstanding portfolio of brands
> a total confectionery model
> the largest and most broadly spread emerging markets business
> a clear strategy

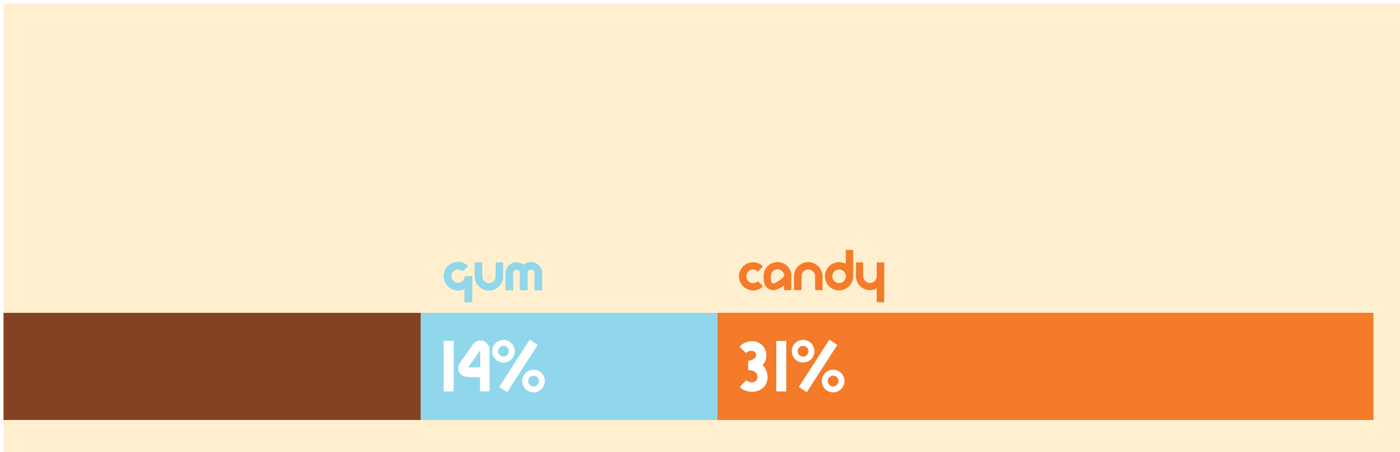
* All market information in this report is sourced from Euromonitor unless otherwise specified

£5.4bn
Revenues £5.4bn

£638m
Underlying operating profit £638m

60
We operate in over 60 countries

Cadbury is a leading global business in the exciting world of confectionery, a large, growing, brand-led industry. With an outstanding portfolio of chocolate, gum and candy brands, the largest emerging markets business and a focused and experienced team, Cadbury is committed to its long-term vision to be the world's biggest and best confectionery company.



positions in all 3 categories

Our strong positions in emerging markets

Cadbury is global with leadership positions in over 20 of the world's top 50 confectionery markets

Cadbury is also growing fast in its emerging markets
> 12% average growth over 5 years
> 11% market share

Argentina
Brazil
Egypt
India
Mexico
Poland
Russia
South Africa
Thailand
Turkey
Venezuela

45,000

We employ over 45,000 people

2008 highlights

7% Revenue growth†

11.9% Operating margin*

16% EPS growth**

6% Dividend growth

Financial highlights

> Base business revenues up 7%
> Underlying operating margins up 150 bps
> Proforma EPS from continuing operations up 16%
> Return on invested capital up 110 bps
> Full-year dividend 16.4p, up 6%

Strategic highlights

> Transformation of the business into a category-led pure-play confectionery company
> Vision into Action business plan well underway
> Simplified organisation from 2009

† Base business revenue
* Underlying operating margin at reported currency
** Proforma EPS from continuing operations (Except where stated, all movements use constant currency)

£ millions	2008	Re-presented 2007	Reported Currency Growth %	Constant Currency[2] Growth %
Revenue	**5,384**	**4,699**	**+15**	**+6**
– Underlying Profit from Operations[1]	638	473	+35	+22
– Restructuring & other non-underlying items	(250)	(195)		
Profit from Operations	**388**	**278**		
Underlying Profit before Tax[1]	559	430	+30	+17
Profit before tax	**400**	**254**		
Discontinued operations	(4)	258		
Underlying EPS Continuing Ops[1]	24.9p	14.7p		
Reported EPS Continuing Ops	**22.8p**	**7.0p**		
Reported EPS Continuing Ops & Discontinued Ops	**22.6p**	**19.4p**		
Proforma EPS – Continuing Ops[3]	29.8p	23.0p	+30	+16
Dividend per share	**16.4p**	**15.5p**	**+6**	

1 Cadbury plc believes that underlying profit from operations, underlying profit before tax and underlying earnings per share provide additional information on underlying trends to shareholders. The term underlying is not a defined term under IFRS, and may not be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for, or superior to, IFRS measurements of profit. A full reconciliation between underlying and reported measures is included in the segmental reporting and reconciliation of underlying measures note.
2 Constant currency growth excludes the impact of exchange rate movements during the period.
3 As a result of the Scheme of Arrangement to replace Cadbury Schweppes plc with Cadbury plc as the new holding company of the Group and the subsequent demerger of Americas Beverages, the shares of the Group were restructured with 100 Cadbury Schweppes plc shares exchanged for 64 Cadbury ordinary shares and 12 common stock in DPSG. Proforma EPS calculates underlying earnings per share of the continuing Group with reference to the underlying net profit from continuing operations of £403m (2007 – £309m) and assumes that the share consolidation was in place for the entire period in both 2007 and 2008 resulting in the proforma weighted average number of shares used to calculate proforma EPS of 1,347m (2007 – 1,336m).

energised by the challenges ahead

The Group delivered a strong performance in 2008. We met or exceeded our financial targets during a period of economic slowdown and financial turmoil while at the same time implementing important changes to the structure of the Group and the confectionery business.

Roger Carr Chairman

The Group's trading performance was strong, with a significant improvement in operating margin and an increase in confectionery revenues of 15% to £5.4bn. Excluding the benefit of foreign exchange, base business revenue growth was 7%, representing organic growth above the top end of our 4%–6% goal range.

Throughout the year, we took effective measures to protect and expand our profit margins. We increased our prices to offset the rise in input costs and streamlined our cost base, mainly through reductions in sales, general and administration costs and in central overheads. As a result, combined with the good revenue growth, we significantly increased our profits. Our underlying operating margin increased from 10.1% in 2007 to 11.9% in 2008. Excluding the gain from foreign exchange, the improvement in margin was 150 bps.

I believe this is a strong performance and shows good progress on our four year Vision into Action (VIA) strategic plan which includes achieving mid-teens margins by 2011.

Despite our own change programmes and the unprecedented turmoil in financial markets, our teams around the world worked diligently to implement our business plan. I would like to thank all of them for their commitment, enthusiasm and focus on the job at hand and for making 2008 a successful year for Cadbury.

Strategy

Your Chief Executive, Todd Stitzer, explains our strategy at length in the next section, but I would like to briefly discuss the transformation of Cadbury into a focused confectionery company.

Cadbury plc started trading in May 2008 when we completed the successful demerger of the Americas Beverages business. The final steps towards becoming a pure-play confectionery business were announced in December 2008 with an agreement to sell Schweppes Australia, our last remaining beverages business, subject to certain conditions. Your Board is convinced that the focus gained by the separation, combined with the power of our brands in both developed and emerging markets, is already enhancing the prospects of the business. It is encouraging how quickly we adapted to being a focused confectionery company, and the enthusiasm with which this change has been embraced.

Board changes

The focus on confectionery necessitated changes to our Board to align the skills and experiences of our Non-Executive Directors with the new business model. This impetus, coupled with the retirement of a number of members, has led to a number of new faces at Board level.

Sir John Sunderland retired after forty years of service at Cadbury, culminating in his position as Chairman for the last five years. I would like to take this opportunity to once again thank John for his outstanding contribution and leadership.

David Thompson, a Non-Executive Director of the Company since 1998, retired from the Board and as Chair of the Audit Committee in March 2008. Sanjiv Ahuja and Ellen Marram, independent Non-Executive Directors since 2006 and 2007, respectively, also retired from the Board in September. The Board thanks David, Sanjiv and Ellen for their valuable contribution and assistance in overseeing the completion of the demerger prior to stepping down.

In October, Baroness Hogg joined the Board as a Non-Executive Director and brings a wealth of corporate experience and expertise to Cadbury. In November, we appointed Colin Day as a Non-Executive Director. Colin, an experienced FTSE 100 and consumer goods Chief Financial Officer with Reckitt Benckiser, joined the Board in December and will assume the role of Chairman of the Audit Committee with effect from April 2009. I know that both Sarah and Colin will make substantial contributions to Cadbury's development in the forthcoming years and I look forward to working with them.

After five years with Cadbury, Ken Hanna has decided to retire and will step down from the Board in April 2009. Ken played a central role as we made major changes to the structure of the business, both from an operations and a portfolio perspective. The Board would like to thank Ken for his dedication to Cadbury, and wishes him success in his future endeavours.

In December, we announced the appointment of Andrew Bonfield as Ken's successor. Andrew, who has been a public company CFO for ten years, both in the UK and the US, joined Cadbury in February 2009 and will assume his role as Chief Financial Officer and Executive Director in April.

Bob Stack retired from the Board at the end of 2008 after 18 years with Cadbury. The Board thanks Bob for his significant contribution, particularly his help building a management team that will provide strong leadership in the future.

Corporate Responsibility and Sustainability

Corporate responsibility has been integral to our business for nearly 200 years. In recent years our approach has developed from an attitude of responsibility to one of sustainable business practices.

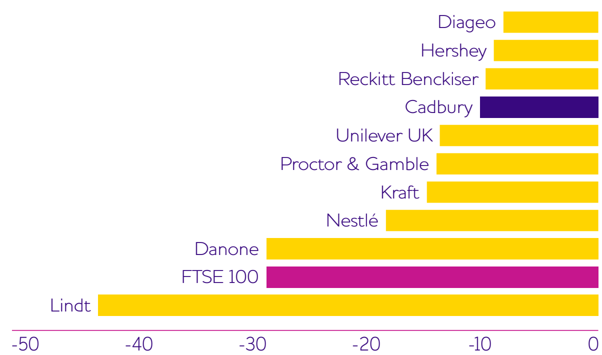
This is demonstrated in the fact that our sustainability commitments are now integrated in our Vision into Action business plan and are executed with greater vigour and discipline. Our corporate mantra of 'fewer, faster, bigger, better' is applied to our CSR practices, helping concentrate our efforts on leading-edge programmes such as 'Purple Goes Green', the 'Cadbury Cocoa Partnership' and our 'Be Treatwise' responsible consumption initiative.

Your Board knows that developing sustainable business practices is critical to the long-term strength of our business. This has resulted in clearer goals and roadmaps, the details of which you can see in the CSR section of this report. In addition, this year we have expanded our CSR report and taken it online to enable a richer discussion with a wider audience. www

Dividends

The Board is proposing a final dividend of 11.1p, bringing the total dividend for the year to 16.4p, an increase of 6% on 2007. While the increase is in line with our progressive dividend policy, the pay-out ratio is somewhat ahead of our medium-term target of 40–50%.

Total Shareholder Return (%) – 2008



Source: Datastream

Looking forward

Today, all companies are facing the most uncertain global economic outlook we have seen for many years. Consumer spending is under pressure, unemployment is increasing and the rate of growth is slowing in emerging markets. For Cadbury there are the additional issues of high cocoa prices and the challenges of increased competitor concentration.

On the other hand, the business model we have created has an enviable global footprint, powerful and respected brands, talented and passionate management and a history of resilience in economic downturns. We also have a strong balance sheet and secure financing.

In the months ahead, management will continue to build on these strengths, aggressively manage costs, sustain marketing spend and sharpen our competitive edge.

Despite the difficult and uncertain economic circumstances, we remain committed to making further progress towards our Vision into Action targets for revenue growth and margin improvement. Todd will talk more about this in our Strategic Review.

I believe our people are energised by the challenges ahead and comforted by the fact that our strategy is clearly defined and widely understood. As a result, while trading conditions will not be easy, we are confident that 2009 will be another year of progress for Cadbury plc.

A full outlook statement is included in the Strategic Review. P15

Discussion with the Chairman and Chief Executive

Roger Carr, our Chairman, and Todd Stitzer, our Chief Executive, share their thoughts on the notable achievements in 2008 and the challenges ahead in 2009.

What has given you the most satisfaction in Cadbury's achievements in 2008?

Roger: As you can see from our financial results, the performance of the Company has been strong. Management have met all of their goals in revenue, profit and margin growth in what, by any measure, has been a challenging period. However, while the financial achievements in the year have been pleasing, for me, it has been the tightening of operational management and the step change in business pace under Todd's leadership that have been the most encouraging features. This lift in both tempo and resolve has served us well in 2008 and speaks positively for the future prospects of the business.

Todd: With critical initiatives such as the successful demerger of our Americas Beverages activities and the implementation of our Vision into Action business plan, 2008 has been one of the busiest periods in the history of Cadbury. I have been incredibly impressed by the commitment and energy shown by our teams worldwide as they have risen to the challenge. Our results this year are a clear reflection of the team's quality and dedication.

You are now 18 months into the implementation of your business plan – how is it going?

Todd: We have started well, delivering 150 bps margin gain from the plan in 2008, and we expect to benefit further from our cost saving initiatives in 2009. In addition, we are also making good progress on the more complex reconfiguration projects that will benefit us progressively more in 2010 and 2011. We are investing a considerable amount of our shareholders' funds in improving the performance of our confectionery businesses. As a result, we are committed to ensuring the programme is well-managed and delivers our full expectations.

What do you feel will be the biggest challenge for Cadbury in 2009?

Roger: 2009 is an important year for the Company with major plant reconfiguration, product transfers and restructuring that will require dedicated management effort to effect seamless change.

Clearly economic conditions remain turbulent and markets competitive. While some commodities have softened, the price of cocoa has remained persistently high.

Like all businesses, therefore, we are not without challenge. Unlike many businesses however, we benefit from a resilient product range, an enviable global footprint with broad emerging market presence, a healthy balance sheet and a clear strategy.

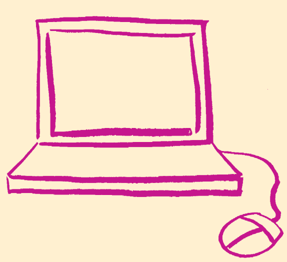
How are you tackling these challenges?

Todd: In this environment, our consumers and retail partners will be demanding more from Cadbury – whether it is in the form of innovation, product quality or even higher service levels. I believe we have a strong and capable team who will rise to these challenges and raise our game where needed. At the same time, we're committed to delivering the benefits of our strategy, delivering revenue growth and pushing margins higher. We have the focus as well as the plans and actions in place to help us achieve these goals and, with sustained dedication from the team, I am confident we will succeed.

A final word for shareholders?

Roger: In the year ahead, we will continue to build on our strengths, aggressively manage costs, sustain our investment in marketing and sharpen our competitive edge. Irrespective of economic conditions, delivery of both our performance commitments and shareholder value will remain at the top of our agenda.

Todd: Conditions may be more challenging than we expected eighteen months ago when we launched our Vision into Action plan but, at Cadbury, we have a committed and experienced team who are focused on delivering our performance targets. We have a great opportunity to make Cadbury the biggest and best confectionery business in the world and we plan on taking it.



Extended interviews with our Chairman and Chief Executive are available online at www.cadbury.com, together with a brief overview of our results from Todd and the usual investor presentations made in February.

focused on performance

delivering against our plan

2008 was a year of significant development for Cadbury. We transformed our business, evolved our organisation model and started to implement major restructuring and reconfiguration. I am very pleased that during this eventful period, our people maintained their focus on performance and delivered against our strategic plan.

Todd Stitzer Chief Executive

Introduced in June 2007, our Vision into Action (VIA) business plan sets out a bold agenda with the clear vision of becoming the world's biggest and best confectionery company. This aspiration, built around developing a strong total confectionery model, is supported by clear objectives, priorities and a financial performance scorecard. The strategy is underpinned by a strong focus on sustainability, culture and purpose that unifies the actions and objectives of the 45,000 people who work in Cadbury.

The governing objective of our plan is to achieve superior shareholder returns through delivering our performance scorecard.

We are now 18 months into implementing our VIA. A lot of progress has already been made and I will share with you some of the major developments.

In the strategic review, I will cover:

In the review you will also find a more detailed overview of our markets, businesses and approach to management:

our business model

We have spent the last five years transforming our company into a focused confectionery business. With our distinct strength across product categories, developed and emerging markets, strong brands, talented people and clear values, we have a business model that is unique to Cadbury.

We are confident that in Cadbury plc, we are well-placed to deliver a superior performance, supported by clear opportunities:

> the global confectionery category has been growing solidly;
> the strength and breadth of our market positions, across different geographies and categories, help us to capture this growth and deliver high returns;
> the unexploited potential of our business is significant; and
> we have the strategy and management to deliver against our plans.

We believe that Cadbury will benefit from our focus as a pure-play confectionery business.

Confectionery growth

The confectionery market has been growing around 5% p.a., with revenues growing in low single digits in developed markets and in double digits in emerging markets. Brand loyalty, a high level of impulse sales and limited private label penetration mean that confectionery is also a profitable market for companies with strong brands and effective routes to market.

Cadbury's robust business model

Cadbury's growth potential is underpinned by its robust business model. We have strong brands and strong competitive positions in the three major confectionery categories: chocolate, gum and candy. P18 More importantly, we have a strong presence in faster growing categories such as gum and other 'better-for-you' products. P17

We have strong leadership positions in nearly half of the world's largest markets. What is more, we have the largest confectionery business in the growing emerging markets with a 10.7% share: a stronger position than that of our key global competitors. P17

In summary, our growth ambitions are underpinned by our favourable category and geographic exposure. Despite near-term economic uncertainty, we continue to believe that in the long-term, confectionery will remain resilient and that by holding or growing our market share we will continue to deliver a strong performance. Our firm intention is to continue to outperform the market by increasing our focus on the highest return areas and reducing the complexity which is evident in many parts of our business.

Our vision

Our vision is to be the world's biggest and best confectionery company. Following the acquisition of Wrigley by Mars, we are now the second biggest confectionery business by revenue. However, with significant scale in key markets and a strong global presence, we remain a strong business partner to our customers and suppliers. We continue to reinforce our positions in key markets and maintain our number one position outside the US.

While we have every reason to aspire to being the biggest in the long-term, we will focus on being the best in the short-term. Developing our capabilities is a key priority of the business plan, and our progress is evident. P20

Deliver superior shareholder returns

Our governing objective is to deliver superior shareholder returns. Our VIA plan has created a clear roadmap and focuses the energy and efforts of our teams around the world. We have an advantaged confectionery business which has significant under-exploited potential in terms of both revenue and returns. We believe that a balanced delivery of strong growth in revenue and margins, coupled with an increased focus on disciplined capital allocation will allow us to deliver superior returns for our shareholders.

Well-placed to deliver superior performance

our performance in 2008

The three important priorities for Cadbury, set out in the VIA business plan are shown opposite, together with our performance scorecard. Typically spanning a number of years, these represent the important milestones against which the successful delivery of our strategy will be measured. A detailed explanation of the measures is included later. P20

Year of significant change

As our Chairman pointed out in his opening remarks to this year's Annual Report and Accounts, 2008 has been a year of significant change for Cadbury, in terms of our portfolio of activities as well as implementing the first stages of our VIA strategy.

our priorities

Priority	2008 activities
1. Growth 'Fewer, Faster, Bigger, Better'	> Achieved 8% revenue growth in focus brands > Rationalised underperforming products and 'tail brands' > Drove consumer preferred brands such as Wispa > Gained scale in Turkish route-to-market by combining gum and candy distribution
2. Efficiency 'Relentless focus on cost & efficiency'	> Realised SG&A cost savings, improving operating margin by 100 bps > Reduced central costs, improving operating margin by 20 bps > Reconfiguration of the supply chain in the UK and Ireland > Continued the turnaround of underperforming businesses > Divested non-core assets such as Monkhill candy
3. Capabilities 'Ensure world-class quality'	> Strengthened the commercial capabilities of our global category teams > Invested in Science and Technology to support innovation and quality > Removed organisational complexity to speed up decision making and in market execution > Maintained investments in finding and developing key talent

performance scorecard

Goal	2008 result	Comments
Annual organic revenue growth of 4–6%	Base business revenues up 7% **7%**	For the second successive year, we exceeded the top end of our goal range.
Total confectionery share gain	Market share* up 40 bps to 10.5% **40 bps**	We delivered good global market share growth and increased share in the UK by 50 bps.
Mid-teens trading margin by 2011	Margins up 180 bps to 11.9% **11.9%**	Strong underlying operating margin progress was driven by the initiatives within the VIA plan, principally the early benefits of restructuring and improvements at our underperforming businesses.
Strong dividend growth	Dividend growth of 6% **6%**	While the increase is in line with our progressive policy, the pay-out ratio is somewhat ahead of our medium-term target of 40–50%.
Efficient balance sheet	✓	With interest cover of 7.6 times, a debt to EBITDA ratio of 2.1 times and a BBB credit rating, we maintained a good balance of efficiency and prudence in uncertain economic times.
Growth in return on invested capital (ROIC)	ROIC up 110 bps **110 bps**	ROIC is a good measure of the effectiveness with which we are using our shareholders' resources. In 2008, we invested in restructuring to make long-term efficiency improvements. This resulted in strong profit growth off a modest increase in invested capital.

Our goals and progress on non-financial performance indicators are explained in Sustainability Commitments P30

* Latest available share data. Global market shares are published by Euromonitor in July of each year for the previous year.

When we completed the demerger of our Americas Beverages business in May 2008 to form the Dr Pepper Snapple Group (listed on the NYSE in New York, Symbol: DPS), we had largely completed the transformation from Cadbury Schweppes plc to Cadbury plc.

Underpinning the new Cadbury, in June 2007 we introduced our VIA, a strategy for 2008-2011 to drive the financial performance of the focused confectionery business. Implementing this strategy has been the top priority for our global team and has brought about a number of important changes in what we prioritise, how we measure our progress and the way we behave. I will expand on this when I look at how we have been implementing our VIA.

Strong financial performance

2008 has also been a year of strong financial performance for Cadbury as a standalone confectionery business. In brief, we have exceeded our revenue growth targets, improved our global market share, delivered strong margin progress, increased our dividend and made a healthy increase in our overall return on invested capital. We have put long-term financing in place and strengthened our balance sheet. Underpinning these commercial and financial goals, we have made good progress on our sustainability commitments.

Completing the transformation

To complete the transformation to a pure-play confectionery business, we announced a conditional agreement to sell Schweppes Australia at the end of 2008. This is the last of our beverage activities and we hope to complete the sale process during the second quarter of 2009.

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 later P24 and lead into a more detailed explanation of our businesses P26, which I hope you will find helpful.

We started on this journey in 2003 to create a more central organisation which is joined-up and unified while preserving the local entrepreneurial spirit of our managers. I strongly believe that we have made good progress towards this goal and that this new organisation will help us drive cost efficiencies, faster decision making and better in-market execution.

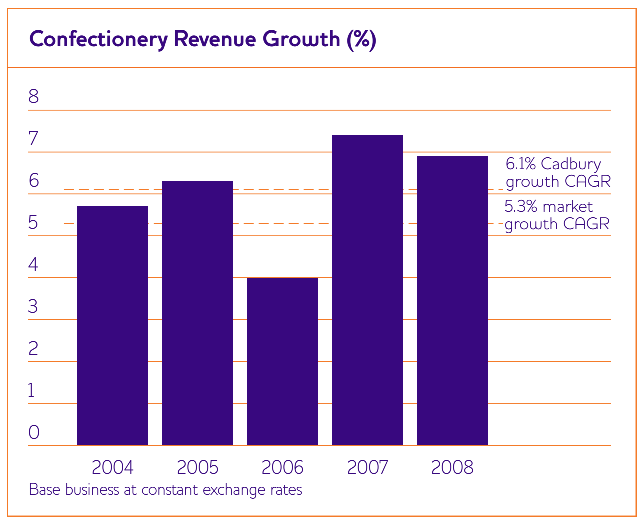
Implementing our Vision into Action

Our VIA sets out a clear strategic programme of action and change for Cadbury. We're investing £450 million on restructuring and some £200 million of incremental capital expenditure over the four year programme to make significant changes to our organisation.

It is easiest to talk about these programmes and what we have done so far in the context of our three priorities and our sustainability commitments. They provide a structure for our teams to focus on relevant to their business unit, category or function.

The results of these initiatives in 2008 have already been significant, contributing to a strong top line performance and a major improvement in our underlying operating margins.

1. focusing on growth



Our VIA sets out growth as a main priority which is represented by the mantra – 'Fewer, Faster, Bigger, Better'. This priority channels our efforts towards initiatives such as focusing on a fewer number of advantaged global and regional brands, investing in getting our new product developments into more markets faster, using joined up commercial and marketing programmes to have a bigger impact and underpinning the whole plan by executing our initiatives better.

Critical to success this year has been the continued investment in building strong global category leadership P24, driving consumer preferred brands, Smart Variety initiatives and stronger route to market capabilities.

During 2008, this focus has helped us deliver some significant benefits. Across our 13 focus brands we have delivered excellent revenue growth: in fact, up 8%.

+8%
Focus brand revenue 8%

+11%
Cadbury Dairy Milk 11%

+11%
Trident 11%

+9%
Halls 9%

We also achieved growth through our focus on consumer preferred brands. In the UK, our Wispa relaunch was a record with a single stock keeping unit, or 'SKU', recording £25 million sales in just four months. In the US and Canada, we continued to invest in our new Stride brand and successfully defended market share. As a result, we built Stride into a recognised, consumer preferred brand with over 7% share, up from zero in early 2006.

Our UK chocolate business benefited from several Smart Variety initiatives, extending core product lines with well developed variants. Creme Egg Twisted was a notable success, generating record sales for a Cadbury new product launch.

Growth has also been generated by strengthening our route-to-market capabilities in a number of markets. Recognising the incremental value of increased sales coverage, our team in Mexico invested in more sales routes and feet on the street in both traditional and modern trade channels. This investment strengthened our in-store presence, improved our sales networks and raised levels of product availability without increasing stocks or credit. The net result raised our gum and mint market share to over 80%.

Major marketing programmes that have underpinned our success have included extending the new 'Gorilla' campaigns from the UK to Australia and New Zealand, and rolling out the Glass and a Half Productions franchise into new creatives for Cadbury Dairy Milk. Our viral campaign 'For the love of Wispa' broke new ground in marketing by producing a TV ad created entirely from consumer pledges.

2. driving efficiency

We recognise that it is not enough to just grow faster: we must also be more profitable. We are now 18 months into the implementation of our VIA, a programme that is intended to increase our margins from around 10% in 2007 to mid-teens by 2011.

During 2008, we have made good progress with a number of major initiatives that are already delivering benefits. All of these initiatives involve considerable project management skills and resources, and we have been able to successfully build on the experiences we gained during the implementation of our Fuel for Growth plan (2003–2007). The major programmes which benefited 2008 underlying results included:

> down-sizing our central functions and relocating our head office from central London to an office west of London shared with the UK business;
> restructuring our Americas business: consolidation of our businesses in the US and Canada, and operations across South America into larger commercial organisations; and
> consolidating our distribution and warehousing structure in the UK and increasing automation at our chocolate production facility in Ireland.

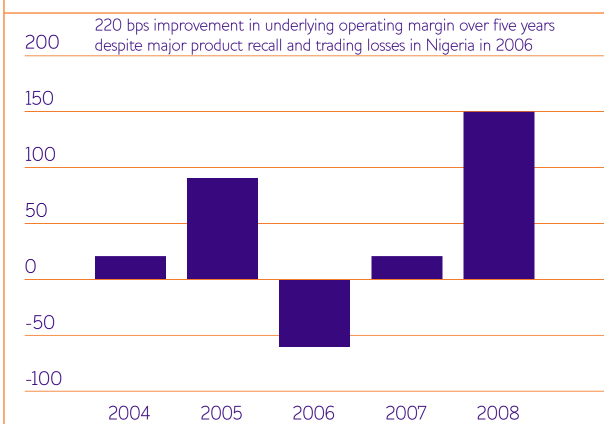
We also undertook a number of projects that will provide incremental benefits in the three years leading up to 2011. These included:

> reconfiguring our chocolate and candy manufacturing in Australia and New Zealand: a major programme of plant optimisation and supply chain reorganisation, simplifying manufacturing activities and creating centres of excellence focusing on key technologies;
> starting up a major gum factory in Poland which will enable progressive supply chain efficiencies to be realised from 2009 onwards; and
> consolidating the European operations further, establishing a single, state-of-the-art science & technology centre of excellence in Switzerland, focusing on gum and candy.

In 2008, we invested £142 million (2007: £150 million) of the earmarked £450 million on restructuring and approximately half of the planned capital expenditure. Programmes announced so far account for around 60% of the savings planned in our VIA business plan. As and when appropriate, we will provide further details on the additional plans that make up the balance of the programme and the long-term benefits that will support Cadbury in the future.

I explained in the previous section that we were investing in our core brands. We have also started new projects to rationalise our portfolio, streamline the number of different variants and reduce complexity. In 2008 the total number of SKUs has been reduced by 10% with more progress to come.

Continuing confectionery business underlying trading margin growth (bps)



Base business at constant exchange rates

The VIA cost reduction and efficiency initiatives, combined with an improved performance from underperforming markets (Russia, Nigeria, China) resulted in an improvement in underlying operating margin by 150 bps at constant exchange rates.

3. strengthening our capabilities

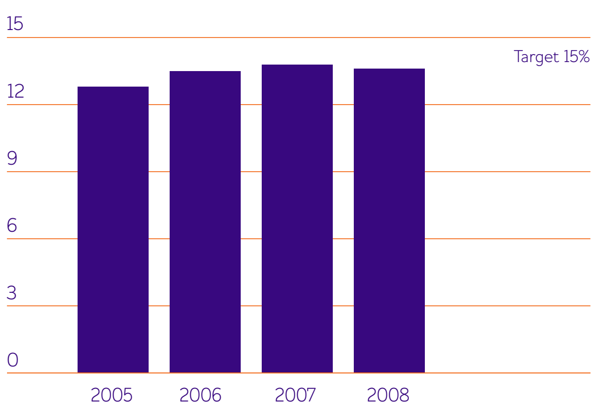
As a result of the major transformational developments we have focused on developing the skills, capabilities, behaviours and values of Cadbury around our VIA goals, namely becoming the biggest and best confectionery business in the world.

We established a number of major programmes and reinforced these with new management, the reorganisation I touched on earlier P12 and the consistent use of our performance scorecard, VIA business plan, behaviours and values.

Our product development pipeline, focused on ensuring we respond to changing consumer and customer behaviour, has remained strong. New products or product extensions contributed over 13% to our revenues in 2008. While many of these have been truly new, innovative products that leverage our long-term investments in new technology, our existing technologies have gained momentum as well. A good example would be Recaldent, a tooth-friendly technology whose use has been rolled out in our gums such as Trident Xtra Care. In addition, line extensions, involving novelty such as new flavours and centre-fills, made a big impact on strengthening our existing chocolate, gum and candy brands.

Customising global product platforms to new markets, with local flavours and innovative packaging has also been an important part of our growth. Many more new products are expected over the next few years as we strengthen our position as a leader in innovation.

Revenue from innovation (%)



Additional revenue from new products and product extensions

As part of the reorganisation P24 we have taken the opportunity to move some of our senior team into new roles where their skills and experiences can add the greatest value: to both delivering our strategy and also developing stronger teams.

But strengthening our capabilities is more than changing roles and responsibilities. It is about investing in people, nurturing talent and developing career paths for our teams around the world. It is also about managing the consequences of change and retaining the right skills through difficult decisions.

We conduct a regular Cadbury Employee Climate Survey to find out what colleagues think and feel about the Company and the management team, and how they feel they are treated and motivated. In 2008, our colleagues gave an average score of 3.35 out of 4 when asked how committed they felt toward the Company, and 83% gave a positive score when asked if they felt whether Cadbury is a 'great place to work'.

3.35

Commitment score 3.35 (measured out of 4)

83%

'Great place to work' 83% of colleagues

I am very pleased that we have been able to achieve so much this year in terms of performance and change, and still deliver our operating performance.

4. responsibility to sustainability

We are reiterating our commitments to growing sustainably to ensure that we drive change through a culture which remains performance driven and values led. Within the overriding goal of being performance driven, and values led, we aim to:

> promote responsible consumption of our products;
> ensure ethical and sustainable sourcing of raw materials and other inputs;
> prioritise quality and safety;
> reduce carbon and water use, and packaging;
> nurture and reward colleagues; and
> invest in the communities in which we operate.

Our approach to this area is discussed in more detail in our sustainability commitments P30 and in our full online Corporate and Social Responsibility Report, which was launched online in November 2008. www

Our outlook and strategic priorities for 2009

Our commitment to the VIA is unchanged and we will continue to focus on implementing many more of the projects and initiatives that make up the plan. This will contribute to the greater efficiencies and performance improvements that will be essential to deliver superior shareholder returns, particularly in the uncertain economic climate that all businesses now have to manage.

Our priorities for 2009 are clear and are set out in the table below. They are similar to those we had in place for 2008 but adapted to the challenging economic environment in 2009. They are consistent with the VIA business plan that governs our strategy.

Priority	2009 plans
1. Growth 'Fewer, Faster, Bigger, Better'	> Category focus for scale and simplicity > Drive advantaged, consumer preferred brands and products > Accelerate white space market via 'Smart Variety' > Create advantaged customer partnerships via total confectionery solutions > Expand product platforms and strengthen route to market through partnership and acquisition
2. Efficiency 'Relentless focus on cost & efficiency'	> Realise price and optimise customer investment > Reduce SG&A cost base > Deliver supply chain cost reduction and reconfiguration initiatives > Rationalise portfolio > Optimise capital management
3. Capabilities 'Ensure world-class quality'	> Operate a category-led business enabled through consistent commercial capabilities > Invest in science, technology & innovation to deliver preferred products at competitive cost > Drive focused decision making and speed of execution > Sharpen talent, diversity and inclusiveness agenda > Leverage partnerships to streamline processes and reduce costs

Outlook

Cadbury is now well positioned as a focused pure-play confectionery business. As a result of actions taken in 2008, we have a strong financial position with long-term financing. Implementation of our VIA business plan is well underway and, although there are many reconfiguration challenges ahead, management is committed to delivering the full benefit of planned cost savings and efficiency improvements.

We have always maintained our belief that confectionery is a resilient category within the consumer goods market. We sell small affordable treats and even in challenging times, consumers in emerging and developed markets will still look for affordable treats to provide a moment's pleasure.

While we will not be immune to the continued weak economic environment, at this early stage in 2009, we expect to deliver revenue growth around the lower end of our 4–6% goal range and make good progress toward our goal of mid-teens margins by 2011.

the world of confectionery

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.

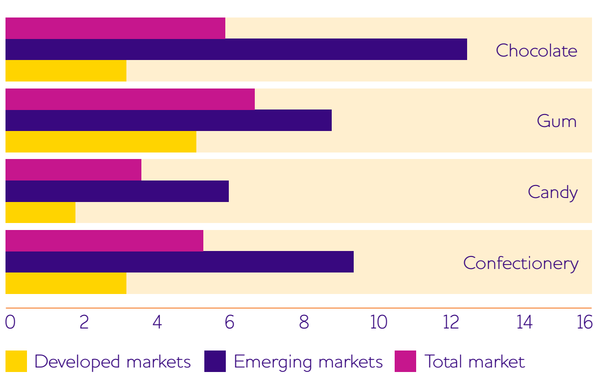
An attractive market

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.

Market growth rates (CAGR %) 2003–2008



Source: Euromonitor

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.

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

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.

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 Bubbaloo.

Halls is the largest candy brand in the world, and accounts for approximately one-third of Cadbury's candy revenues. 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.

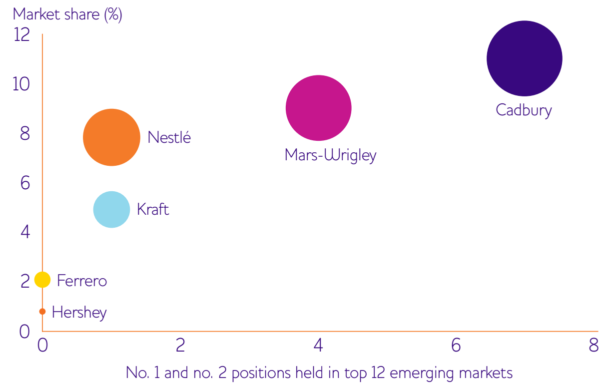
Cadbury's strength in growth markets

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.

As demonstrated on page 19, 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. P31

Positions in emerging markets



Top 12 emerging markets account for around 80% of emerging market retail sales
Market share is denoted by left-hand axis and by size of bubble

Source: Euromonitor

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.

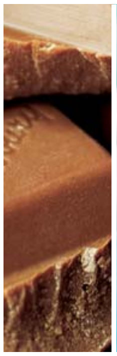
Prospects remain positive for sugar confectionery and gum."

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

industry dynamics

At a retail sales value of over $150 billion, confectionery is one of the largest segments in a global packaged food industry worth around $1,800 billion. Confectionery, which splits into chocolate, gum and candy, is highly brand-led and impulse-driven. Historically, the industry has grown well and enjoys a healthy level of competition.

	Confectionery	Chocolate
Market retail sales and breakdown	$150bn+	55%
Cadbury revenue and breakdown	£5.4bn	46%
Profile	Confectionery is the fourth largest packaged food market with retail sales of over $150bn.	Chocolate is mainly a regional business where consumers seek a particular taste in each market. Production is historically complex and there is scope for major efficiencies through rationalisation.
Cadbury global market share and market position	10.5% no.2	7.5% no.5
Top competitors	Mars-Wrigley, Nestlé, Hershey, Kraft	Mars-Wrigley, Nestlé, Kraft, Hershey
Share of top 5 in the market	42%	50%
Global market growth rate 2004–2008 p.a.	5%	6%
Cadbury growth rate 2008	7%	6%
Main Cadbury markets	UK, US, Australia, France, Mexico, India, Canada, Brazil, Japan, South Africa, Turkey	UK, Australia, India, South Africa, Ireland, Poland, New Zealand
Main Cadbury brands	Cadbury, Green & Black's, Trident, Clorets, Dentyne, Stimorol, Hollywood, Halls, The Natural Confectionery Co., Creme Egg, Flake, Bubbaloo, Eclairs	Cadbury, Green & Black's, Creme Egg, Flake, Dairy Milk, Wedel
2008 highlights	> Another year of 5% growth in the global market > Mars acquires Wrigley > Fifth consecutive year of market share gain for Cadbury	> Wispa was the most successful launch of the year in the UK > Cadbury Dairy Milk continued to grow strongly in emerging markets



Gum	Candy
Gum is the fastest growing confectionery category, and the most consolidated. It is also a global business where economies of scale are significant.	Candy is the most fragmented confectionery category with a proliferation of local brands. There is also a wide disparity between high velocity, high margin brands and non-branded penny candy.
28.9% no.2	**7.2% no.1**
Mars-Wrigley, Lotte, Perfetti, Arcor	Perfetti, Mars-Wrigley, Haribo, Hershey
79%	**24%**
7%	**4%**
10%	**6%**
US, Mexico, Brazil, France, Spain, Russia, Japan, Turkey, South Africa, UK, India	US, UK, France, Turkey, Australia, Canada, Brazil, Mexico, Japan, India, South Africa, China
Trident, Dentyne, Stimorol, Hollywood, Stride, Clorets, Chiclets, Bubbaloo, Dirol	Halls, The Natural Confectionery Co., Cadbury Eclairs, Maynards, Bassett's, Trebor, Sour Patch Kids, Swedish Fish
> Continued growth in traditional stronghold markets, Mexico and Brazil, driven by Trident and Chiclets > Significant growth in Clorets helped to lead Japan to the eighth year of consecutive gum share gain > Bubbaloo continued to grow following its launch into India in 2007	> Halls, already the largest brand in the category, grew another 9% > The Natural Confectionery Co. was launched in the UK grocery channel

our vision into action

Business plan 2008-2011

Vision	**Be the world's BIGGEST and BEST confectionery company**					
Governing objective	**To deliver superior shareholder returns**					
Performance scorecard	**Organic revenue growth of 4%–6% pa**	**Total confectionery share gain**	**Mid-teens trading margins by end 2011**	**Strong dividend growth**	**Efficient balance sheet**	**Growth in ROIC**
Sustainability commitments	**Promote responsible consumption**	**Ensure ethical & sustainable sourcing**	**Prioritise quality & safety**	**Reduce carbon, water use & packaging**	**Nurture & reward colleagues**	**Invest in communities**
Culture	**Performance driven, Values led**					
Purpose	**Creating brands people love**					

Priorities

1. Growth: fewer, faster, bigger, better	2. Efficiency: relentless focus on cost & efficiency	3. Capabilities: ensure world-class quality
1.1 **Category focus** for scale & simplicity 1.2 Drive advantaged, **consumer preferred brands & products** 1.3 Accelerate **white space** market entry via **"Smart Variety"** 1.4 Create advantaged **customer partnerships** via total confectionery solutions 1.5 Expand **product platforms** and strengthen **route to market** through partnership and acquisition	2.1 Realise **price** and optimise **customer investment** 2.2 Reduce **SG&A** cost base 2.3 Deliver **supply chain** cost reduction and reconfiguration initiatives 2.4 Rationalise **portfolio** 2.5 Optimise **capital management**	3.1 Operate a **category-led** business enabled through consistent commercial capabilities 3.2 Invest in **science, technology & innovation** to deliver preferred products at **competitive cost** 3.3 Drive focused **decision making** and **speed of execution** 3.4 Sharpen **talent, diversity & inclusiveness** agenda 3.5 **Leverage partnerships** to streamline processes and reduce costs

The VIA plan embodies all aspects of our strategy which we believe will enable us to deliver superior shareholder returns.

At the heart of our plan is the performance scorecard – the financial targets we have set ourselves – judiciously reinforced by our priorities, sustainability commitments and culture. In this section, we explain the key elements of the plan, focusing on the three key priorities and the performance scorecard. Our sustainability commitments are covered in more detail in the Sustainability Commitments section. P30

Vision into Action plan priorities

Our VIA sets out specific actions for each of its three strategic priorities. Every year these actions are reviewed and updated for changes in market conditions and strategic developments. The 2009 actions are shown in the VIA diagram opposite. Here, we describe in more detail the ways in which implementing our priorities over the four years of the plan will enhance our business.

1. growth

'Fewer, Faster, Bigger, Better'

Our growth strategy – 'Fewer, Faster, Bigger, Better' – has a number of key components. Summarised below, these are the levers at our disposal to realise our revenue growth target in our performance scorecard.

Category focus for scale and simplicity (1.1)
To help drive revenue growth, under its structure of managing each confectionery category on a global basis, we will focus our resources on advantaged markets in each category where innovative products will be developed and launched. In innovation, the number of smaller, non-advantaged innovation projects will be reduced and increased resources will be applied to larger innovations from which Cadbury can derive competitive advantage.

Drive advantaged, consumer-preferred brands and products (1.2)
We will increase our focus on our biggest, most advantaged brands, and on key markets. As part of this focus, some of the smaller brands and products in the portfolio, accounting for approximately 5% of confectionery revenue, are being rationalised over the plan period.

In 2008 our focus brand revenue grew 8%

We will focus our resources on the top 13 brands, which accounted for around 50% of confectionery revenue in 2008. These brands have grown like-for-like revenue at 10% in 2007 and at 8% in 2008. The focus will be on five brands which have the strongest potential in existing and new markets on a global basis – Cadbury, Trident, Halls, Green & Black's and The Natural Confectionery Co. The remaining eight brands in the top 13 are: Creme Egg and Flake in chocolate; Hollywood, Dentyne, Stimorol, Clorets and Bubbaloo in gum; and Eclairs in candy.

We are also increasing our focus on a limited number of markets in each category, based on their size today or their potential for future scale and growth. Six countries, namely the US, the UK, Mexico, Russia, India and China, have strong growth opportunities common across all categories, although our current strength varies from category to category. Growth opportunities in the remaining countries have distinct opportunities by category: in chocolate, they are South Africa and Australia; in gum, Brazil, France, Japan and Turkey; and in candy, Brazil, France, South Africa and Australia. Other similar, affinity markets are being clustered around these lead focus markets, and initiatives are being rolled out from lead markets into these affinity markets.

In 2008, amongst many initiatives, we relaunched Wispa in the UK, introduced new variants of Trident gum around the world, and continued the global development of The Natural Confectionery Co.

Accelerate white space market entry via "Smart Variety" (1.3)
We aim to accelerate entry into areas of the market where we do not currently have a presence via the "Smart Variety" model, which uses existing distribution strength to expand into new categories. Cadbury ultimately aims to have a strong position in all three confectionery categories in the markets in which we operate. Recent initiatives in pursuit of this goal include the launch of gum in the UK market under the Trident brand to complement an existing strong presence in chocolate and candy, the launch of Halls in France, Green & Black's in the US and Bubbaloo in India.

Create advantaged customer partnerships via total confectionery solutions (1.4)
We are focusing our efforts on seven leading customers and three trade channels. These seven leading customers accounted for 14% of confectionery revenue in 2008, with revenues growing by 8%. We believe our business is uniquely placed to support these customers given our position as one of only two major confectionery groups with a substantial presence across all three confectionery categories, and, for the top three global retailers, we have strong total confectionery positions in their key markets.

Expand product platforms and strengthen route to market through partnership and acquisition (1.5)
As a leading global confectionery business, we will continue to investigate available confectionery opportunities to grow our platform. In 2008, we integrated the businesses acquired in 2007 in Turkey, Japan and Romania. In 2009, our focus will be on expanding our product platforms and strengthening our distribution capability by acquisitions and by partnering with third parties. At the same time, we will continue the integration of our recent acquisitions.

2. efficiency

'Relentless focus on cost & efficiency'

We recognise that it is not enough to grow faster: we must also be more profitable. Our efficiency target is encapsulated in the ambition to improve our underlying operating profit margins from around 10% in 2007 to mid-teens by 2011.

Realise price and optimise customer investment (2.1)
In 2008, we faced significant increases in the majority of our input costs, and as we go into 2009, cocoa prices remain at high levels. Under the circumstances, we are managing our selling prices and customer investment to ensure that increases in input costs are reflected in our prices and do not erode the margin improvement resulting from our efficiency initiatives.

Reduce SG&A cost base (2.2) and deliver supply chain cost reduction and reconfiguration initiatives (2.3)
Cost reduction initiatives are impacting all parts of Cadbury: in sales, general and administration (SG&A) costs and supply chain, in the regions and at the centre. SG&A cost reductions began to deliver benefits from 2007 while supply chain configuration benefits are expected to reduce manufacturing costs from 2009 onwards. Initiatives include:

> combining our Group Centre functions with management from our Britain and Ireland and Middle East and Africa business units in a new location west of London during the second quarter of 2008;
> clustering a number of countries which have previously been run as individual operations and de-layering the organisation to reduce complexity;
> reorganising our chocolate production in the UK, leveraging capabilities in Europe;
> reconfiguring our chocolate and candy operations in Australia and New Zealand to reduce product complexity and costs; and
> adopting a more centralised decision-making process to category and brand management.

Consequently, over the 2007 to 2011 period, a number 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.

In addition to the contribution from this cost reduction programme, it is expected that margins will benefit from:

> improving operating margin performance in key emerging markets, notably Russia, China and Nigeria;
> focusing resources on categories and brands which are growing faster and which earn above average returns; and
> strengthening the profit performance of our business in Britain and Ireland, where performance has been below expectations as a result of the IT system implementation in 2005 and a major product recall in 2006.

Rationalise portfolio (2.4) and optimise capital management (2.5)
Efficiency benefits will also be delivered by increasing our focus on profitable growth opportunities and rationalising unprofitable activities, or areas where returns on investment will not be sufficient to justify the focus of scarce resources. This will be achieved through product rationalisation programmes and, where appropriate, divestments of non-core operations. At the same time, we will continue to focus on improving our working capital and asset utilisation.

3. capability

'Ensure world-class quality'

As we develop our focus on being a pure-play confectionery business we will continue to invest in capabilities to support our people to deliver on our growth and efficiency priorities.

Operate a category-led business enabled through consistent commercial capabilities (3.1)
The introduction and strengthening of our commercial categories, combined with our simplified organisation P24 provides a stronger focus on category-led business initiatives, consistently applied across our global confectionery business.

We will continue to embed our 'Building Commercial Capabilities' programme, which aims to improve commercial decision-making, and marketing and sales expertise by defining a common way of marketing and selling across the business.

Invest in science, technology & innovation to deliver preferred products at competitive cost (3.2)
Our innovation agenda is an important part of our long-term growth programme and requires investment in world-class facilities and teams. During the life of our VIA programme, various initiatives will continue to strengthen our capabilities and effectiveness in this important area.

Drive focused decision making and speed of execution (3.3)
We will benefit from a simplified organisation which reduces complexity and speeds up decision making and in-market execution, in other words, helping us get products to market faster, leveraging the previous experience and expertise that comes through having effective global category management.

Sharpen our talent, diversity and inclusiveness agenda (3.4)
Our global business benefits from the diversity of its talented team. As part of our strategy, we are focusing on ensuring we have an active and vibrant agenda to leverage the competitive advantage our global team brings us today.

Leverage partnerships to streamline processes and reduce costs (3.5)
We have significant opportunities to progressively outsource various administrative functions in the areas of back-office processing, facilities management, IT and liquid chocolate production. This is best achieved through working with the right partners to develop sustainable long-term relationships.

The key elements of our performance scorecard
We aim to realise our objective of delivering superior returns through achieving the targets in our performance scorecard, the key financial elements of which are as follows:

> annual organic revenue growth of 4–6%;
> total confectionery share gain;
> mid-teens trading margin by 2011;
> strong dividend growth;
> efficient balance sheet; and
> growth in return on invested capital.

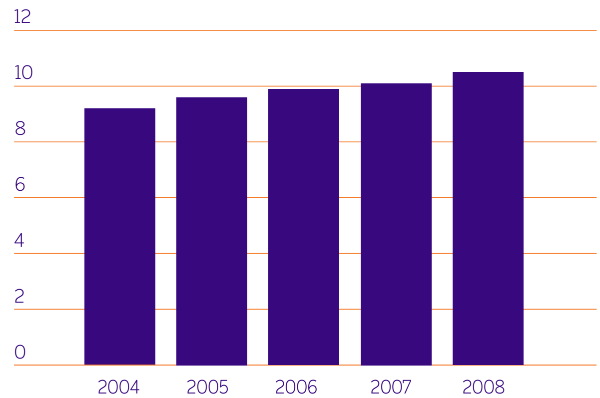
Our performance in 2008 against our scorecard is set out earlier in the report. P11

Revenue growth of 4–6% p.a.
Strong base business revenue growth will be an important measure of the success of our business plan. Growth in recent years has been underpinned by global confectionery market growth of around 5% p.a. and by our greater weighting toward higher growth categories such as gum and our relatively strong position in higher-growth emerging markets. The target also includes the impact of some brand portfolio rationalisation as described below.

In 2008 our revenue growth was 7%

Total confectionery market share gain
We are setting ourselves the target of delivering further market share gains over the course of the business plan. Over the last four years we have increased our global market share by on average 30 bps p.a., reaching 10.5% in 2008. This has been achieved through the combination of base business revenue growth above that of our markets and small bolt-on acquisitions, partially offset by limited divestments and portfolio rationalisation. We believe that our focus on growth, including the benefits of high-growth categories such as gum and high-growth emerging markets like India, will enable us to continue to grow our market share.

Cadbury global confectionery market share (%)



Source: Euromonitor

Significant increase in operating margins to mid-teens by 2011
In our view, our margins in 2007 of around 10% were below that which could be achieved by the 'best' confectionery company. As a result, to help achieve world-class performance, a cost reduction and efficiency programme is being implemented, which is expected to result in an exceptional restructuring charge of approximately £450 million, of which around £50 million is expected to be non-cash. In addition, the programme is expected to require incremental capital expenditure of around £200 million.

Strong dividend growth
After we have completed our restructuring programme, our business model should be strongly cash generative and repatriating part of that cash to our shareholders is an important part of our long-term strategy. As a result, we are targeting a dividend payout ratio in the medium term of 40–50% of earnings. In the near term, we intend to pursue a progressive dividend policy reflecting our confidence in the VIA plan and the earnings potential of the business.

Maintaining an efficient balance sheet
Our objective is to manage our capital base efficiently and we are targeting a capital structure consistent with maintaining an investment grade credit rating. Given recent economic turmoil, and the pressures this has put on more leveraged businesses, this prudent strategy has proven to be very relevant.

Growing return on invested capital
The combination of higher revenue growth and margin improvement is expected to drive growth in return on invested capital. We expect to continue our disciplined approach to working capital management, and to continue to recycle capital from low-growth and non-core businesses into organic investment and bolt-on acquisitions with a greater potential for higher growth and returns as appropriate.

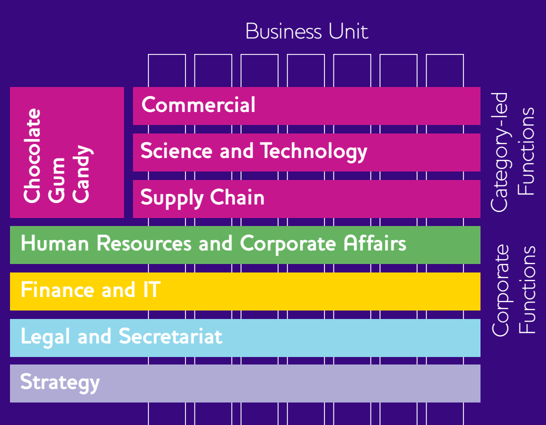
our operations

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. The benefits of these changes are set out in our VIA section P20 and in the description of our functions and our people strategy.

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. P58

The Cadbury plc Board of Directors delegates operational management to the Chief Executive's Committee

The Chief Executive's Committee (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 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' performance contracts, and determining necessary action 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 opposite, from 2009 onwards, we have made changes to this structure. 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 P30 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 www. 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. Our VIA P20 talks about how we are strengthening our consumer capabilities and customer partnerships, the benefits of which can be seen in our performance in 2008. P10

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 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 Affair 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. Our strategy for investing in our people's capabilities is outlined in Our VIA P20 and our recent progress is discussed in Our Performance in 2008. P10

our businesses described

The changes to our organisation model are implemented from the start of 2009. As a result, 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. P34

Europe

	FY2008	% of Group Total[1]
Revenue	£1,097m	20%
Underlying profit from operations[2]	£115m	16%
Underlying operating margin	10.5%	–
Profit from operations	£44m	8%

In 2008, Europe was managed as a single operating region

[1] Excludes Central

[2] For an explanation of underlying profit from operations and a reconciliation to profit from operations, see pages 34-35

Europe

£1,097m Revenue

20% Share of revenue

Number of employees: 10,700
Number of manufacturing sites: 17

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. 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

	FY2008	% of Group Total[1]
Revenue	£1,645m	31%
Underlying profit from operations[2]	£173m	23%
Underlying operating margin	10.5%	–
Profit from operations	£107m	19%

In 2008, the BIMA region was managed as a single operating region
[1] Excludes Central
[2] For an explanation of underlying profit from operations and a reconciliation to profit from operations, see pages 34–35

Britain and Ireland

£1,269m Revenue

24% Share of revenue

Number of employees: 5,700
Number of manufacturing sites: 8

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.

Middle East and Africa

£376m Revenue

7% Share of revenue

Number of employees: 5,700
Number of manufacturing sites: 13

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

	FY2008	% of Group Total[1]
Revenue	£1,631m	30%
Underlying profit from operations[2]	£315m	42%
Underlying operating margin	19.3%	–
Profit from operations	£296m	54%

In 2008, the Americas region was managed as a single operating region
[1] Excludes Central
[2] For an explanation of underlying profit from operations and a reconciliation to profit from operations, see pages 34–35

North America

£1,201m
Revenue

22%
Share of revenue

Number of employees: 8,700
Number of manufacturing sites: 5

Main markets: Canada, US, Mexico

Main brands: Trident, Halls, Cadbury, Dentyne, Stride, Chiclets, Bubbaloo, 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 Bubbilicious. 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 Bubbaloo and Chiclets brands, and candy under the Halls brand.

South America

£430m
Revenue

8%
Share of revenue

Number of employees: 5,200
Number of manufacturing sites: 3

Main markets: Brazil, Argentina, Venezuela, Colombia

Main brands: Trident, Halls, Bubbaloo, 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 Bubbaloo.

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 Bubbaloo 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

	FY2008	% of Group Total[1]
Revenue	£1,002m	19%
Underlying profit from operations[2]	£143m	19%
Underlying operating margin	14.3%	–
Profit from operations	£106m	19%

In 2008, Asia Pacific region was managed as a single operating region

[1] Excludes Central

[2] For an explanation of underlying profit from operations and a reconciliation to profit from operations, see pages 34–35

Asia

£337m
Revenue

6%
Share of revenue

Number of employees: 6,600
Number of manufacturing sites: 10

Main markets: India, Malaysia, Thailand and China

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

Our Asian businesses are concentrated in India, Malaysia, Thailand and China.

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. Bubbaloo 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.

Pacific

£665m
Revenue

13%
Share of revenue

Number of employees: 4,400
Number of manufacturing sites: 8

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.

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.

just good business

Corporate responsibility is one of the things that makes Cadbury special. For nearly 200 years we have appreciated that "doing good is good for business".

Over the past few years, we have made some significant improvements in our approach applying greater rigour and moving from a mindset of 'responsibility' to one of 'sustainable business practices'.

The result is an agenda that pushes the boundaries in keeping with our ambition to be the biggest and best. We have:

- Integrated sustainability into our VIA plan
- Established clear goals in the form of our Sustainability Commitments
- Created leading edge programmes – Purple Goes Green, the Cadbury Cocoa Partnership and Be treatwise
- Developed specific training for our people and key suppliers
- Ensured that our company values – Performance, Quality, Respect, Integrity and Responsibility – help us achieve our core purpose of 'creating brands people love'.

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.

progress update

Find out more about our approach online at **www.dearcadbury.com**

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.

Cadbury COCOA PARTNERSHIP

Sustainability Commitment	2008 Results and Comments
1. Promote responsible consumption	> 95% of our products labelled with nutritional information > 55% of our 'treat' products labelled with additional 'responsible consumption' messages > Global review of our progress on Wellbeing options initiated
2. Ensure ethical and sustainable sourcing	> Cadbury Cocoa Partnership celebrates its first anniversary with 100 communities joining. Cadbury plc celebrates 100 years of cocoa trading in Ghana > Sustainable agriculture assessment tool implemented with good progress on sugar, mint and palm oil > Supplier engagement progressing through common industry engagement and self-assessment tool Supplier Ethical Data Exchange (SEDEX)
3. Prioritise quality and safety	> Behavioural programme pilots are being rolled out in all business units to strengthen safety leadership behaviours and our safety culture > Excellent progress on Lost Time Injury Frequency Rate (LTIFR) with the Group obtaining the lowest rate in its history > Strengthened incident prevention and investigation strategy
4. Reduce carbon, water use and packaging	> 10% reduction in absolute carbon emissions expected by 2011 with a target of 50% by 2020 > 17% reduction in water use since 2006 with 33 sites now with reduction programmes in place > 200+ Green Advocates in over 35 countries driving the green agenda
5. Nurture and reward colleagues	> 83% of colleagues believe Cadbury is "a great place to work" > 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) > 19% of executive management are female
6. Invest in communities	> 2.3% of pre-tax profit invested in community causes > Global commitment to enable colleague volunteering > Flagship initiatives to address the Millennium Development Goals including: Sarvam, Trident Smiles, Africa Aid, and our HIV/AIDS programme

Purple Goes Green

In 2007 we revolutionised our approach to the environment in response to the challenge of climate change. We created a new industry-leading environmental programme called 'Purple Goes Green' in conjunction with experts such as Forum for the Future and the Carbon Trust.

Our stretching targets:

- 50% reduction of absolute carbon emissions by 2020
- 10% reduction in packaging used per tonne of product by 2020
- 100% water scarce sites with water reduction programmes by 2009
- Campaign for change

Our new Eco Easter Eggs use 75% less plastic and 65% less cardboard. Overall we saved 202 tonnes of plastic across our 2008 UK Easter range.

purple goes green

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

Be treatwise
Get to know your GDAs
SEE BACK OF PACK

our approach to risk management

Introduction
The Group, like all businesses, is exposed to a number of risks which may have material and adverse effects on its reputation, performance and financial condition. It is not possible to identify or anticipate every risk that may affect the Group: some material risks may not be known, others, currently deemed as immaterial, could become material, and new risks may arise.

The Group's risk management process is described below. It aims to identify the key risk factors that may have a material impact on the Group, and to manage them appropriately.

The risk factors identified by the Group's risk management process are set out below. Each of these could have a material and adverse effect on the Group, including on its reputation, performance and financial condition. They have been divided into four categories: external risks; internal risks; strategic risks; and control environment.

Any investment decision should consider the risk factors set out below. The risk factors should also be read in conjunction with the forward-looking statements. PIFC

Risk management process
The Group's process for identifying and managing risk is set by the Board. The Board has delegated the day-to-day management of risk within the Group to the Risk and Compliance Committee (RCC). The RCC is chaired by the Chief Executive Officer, and comprises the Chief Legal Officer and representatives drawn from the Group's Business Units and Functions.

The Board conducts an annual review of Group risks, during which it identifies the key risks for the year ahead. As part of this review, operational and strategic risks are proposed as key risks by the RCC, based on inputs from Business Units, Function Heads and business leaders and certain external benchmark data. The Risk Factors set out below reflect the key risks identified as part of this process.

Each of the key risks is assigned to a member of the Chief Executive's Committee (CEC), who proposes a level of risk the Group is willing to take and develops an appropriate plan of action to mitigate the risk.

Business Units and Functions are asked to carry out an annual self assessment exercise which requires all operating units to confirm compliance with Group policies and processes and also to confirm that key operational controls are in place and working effectively. The results of this exercise, together with a review of specific plans for strategic risks, enable the Board to confirm that the business has a sound, risk-based framework of internal control.

The Group Audit team provides independent re-assurance that the standard of risk management, compliance and control meets the needs of the business, and this includes an evaluation of the accuracy and completeness of the self assessment exercise. Group Audit status reports are discussed with the CEC, Audit Committee and the Board on a regular basis.

The Board also recognises that the risks facing the business may sometimes change over short time periods. Every quarter each Business Unit provides an update on new and emerging risks to the RCC and proposals to update the Group risks are provided to the CEC, the Audit Committee and the Board where necessary.

While the Group's risk management process attempts to identify and manage (where possible) the key risks it faces, no such process can totally eliminate risk or guarantee that every risk is identified, or that it is possible, economically viable, or prudent to manage such risks. Consequently, there can never be an absolute assurance against the Group failing to achieve its objectives or a material loss arising.

Examples of our actions, processes and plans demonstrating our approach to managing risk can be found in other parts of this report

Risk Area	Impact	Management	
External Risks			
Competition with global, regional and local players as well as private label	> Competitive strategies based on price or offer resulting in pressure on profits > Industry consolidation creating large competitors who can gain market share	> Continue to improve the effectiveness of competitor analysis > Support the brands with relevant and consistent innovation and communication > Attain preferred supplier status with product offer and superior service	P14
Market volatility of traded items particularly commodities and foreign exchange	Poor predictability of costs leading to poor profits and cash realisation	> Effective hedging processes at the Group level as well as transaction hedging at the local level	P47
Global economic conditions and impact on customer, channel and consumer	Negative impact on revenue and profit	> Adapt sales and marketing strategies including innovation to respond to changing consumer and customer behaviour > Focus on effective route-to-market and customer service > Be diligent about costs and efficiencies	P17 P14 P21 P13

Risk Area	Impact	Management	
External Risks continued			
Funding – supplier or customer failure, financing the business and the company pension fund	Potential loss of business partners, loss of revenue, inability to meet commitments, increased costs and inability to fund innovation	> Monitor the financial health of business partners > Manage the company's working capital effectively > Maximise committed financing	P34
Regulatory pressures, relating particularly to the public health agenda	Failure to comply, leading to reputation damage and potential loss of business	> Monitor public health concerns and respond proactively to regulation	
Internal Risks			
Significant supply chain reconfiguration as set out by the VIA strategic plan	> Failure to deliver planned cost savings > Reduced customer service levels	> Employ strong capital project management > Enhance regional demand forecasting and network planning	
Product quality and food safety	Consumer health concerns, damage to reputation and loss of revenue	> Maintain strong quality standards and awareness > Continue to deliver effective training > Promote excellence in manufacturing disciplines	P30
The new organisation – operating model, control, capabilities, costs efficiency	Failure to deliver faster decision making, global consistency in business processes or planned cost savings	> Clarify and communicate the details of the operating model > Place the right people in key roles and define precise accountabilities	
Growth agenda – price, innovation, execution	Failure to deliver against planned growth targets	> Drive towards fewer, faster, bigger, better innovation programmes > Continue focus on effective price management and compelling market execution	P20 P20
Strategic Risks			
Use of funds – resource allocation, delivery and accountability	Ineffective use of investment funds – failure to deliver target cost savings or business benefits	> Align capital allocation process to the current business priorities > Ensure tight project governance structures maintained within new organisation structure > Continue to drive for excellence in project management	P20
Underperforming markets	Damage to corporate reputation and shortfall against financial targets through failure to deliver against recovery plans in key 'turnaround' markets	> Continue to implement recovery strategies > Provide adequate funding and appropriate management resources to deliver plans	P10
Control Environment			
Compliance culture	Inconsistent business processes and practices and inability to drive decisions quickly through the business	> Regular self-assessment and key financial controls > Continue to communicate clear policies > Deliver high quality training	
Business continuity planning	Ineffective or slow response to major supply chain disruptions leading to inability to supply customers and financial loss	> Regularly monitor compliance > Regularly review, test and update business continuity plans for all critical supply chain operations	
Sustainability – environmental and social responsibility	Damage to business and reputation through failure to deliver on published targets	> Maintain momentum in delivery of sustainability targets > Monitor progress regularly	P30
Health, safety and security of employees	Harm to employees and damage to reputation	> Ensure continuing adherence to comprehensive health, safety and security policies > Continue to deliver effective training and regularly monitor policy compliance	P30

financial review

Items covered in this section:

Overview

Information used by management to make decisions

Regular monthly management accounts and periodic reforecasts are produced for review by the Chief Executive's Committee (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 measures, namely underlying profit from operations, underlying operating margins and Free Cash Flow.

Underlying profit and earnings measures

The following table reconciles underlying profit from operations, as we define it, to what we believe is the corresponding IFRS measure, which is profit from operations.

	2008 £m	Re-presented 2007 £m
Profit from operations	**388**	**278**
Add back:		
Restructuring	**194**	165
Amortisation and impairment of acquisition intangibles	**4**	18
Non-trading items	**(1)**	(2)
IAS 39 adjustment	**53**	14
Underlying profit from operations	**638**	**473**

A segmental analysis of underlying profit from operations is presented alongside profit from operations on pages 86 and 87 of the audited financial statements.

In addition, we present underlying earnings per share, along with a reconciliation to reported earnings per share in Note 13 to the audited financial statements. We calculate underlying earnings per share, which is a non-GAAP measure, by adjusting basic earnings per share to exclude the effects of the following:

> Restructuring costs;
> Amortisation and impairment of acquisition intangibles;
> Non-trading items;
> IAS 39 adjustment;
> Exceptional items; 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.

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, these 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.

Our revenues are 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 and intangible 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.

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.

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.

From time to time events occur which due to their size or nature we consider to be exceptional. 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 exceptional 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 exceptional items recognised in the continuing group in 2007 and 2008. Exceptional items reported in discontinued operations relate to a contract termination gain of £31 million in 2007 and demerger and disposal costs of £104 million in 2008 (2007: £40 million).

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 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.

As a result of the Scheme of Arrangement to replace Cadbury Schweppes plc with Cadbury plc, as the new holding company of the Group, the shares of the Group were restructured with 100 Cadbury Schweppes shares exchanged for 64 Cadbury shares and 12 shares in DPSG. Management consider proforma earnings per share to be the most meaningful underlying earnings per share measure for the continuing business in 2008. This assumes that the share consolidation was in place for the entire period from 1 January 2007 to 31 December 2008. Proforma is not a defined term under IFRS and may not therefore be comparable with other similar titled proforma measures reported by other companies.

The CEC does not 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 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.

Free Cash Flow

References to Free Cash Flow refer to the amount of cash we generate after meeting all our obligations for interest and tax and after all capital investment.

	2008 £m	2007 £m
Net cash inflow from operating activities	**469**	812
Add back:		
Additional funding of past service pensions deficit	**30**	48
Demerger financing costs	**53**	–
Taxes paid on disposals	**44**	12
Less:		
Net capital expenditure	**(482)**	(352)
Net associate and minority dividends received	**10**	7
Free Cash Flow	**124**	**527**

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

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. 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.

In 2008, payments of £30 million (2007: £48 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.

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

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)
Net debt	**(1,887)**	**(3,219)**

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.

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)
Net debt at end of year	**(1,887)**	**(3,219)**

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

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. The Income Statement and related notes for 2007 have been re-presented to classify these businesses as discontinued, 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, underlying profit from operations growth and profit from operations growth excludes results of the Americas and Australia Beverages businesses. A separate discussion of the Discontinued operations is presented on page 39.

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, 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 charged to the regions with prior periods re-presented on a comparable basis.

The following pages present an overview of total performance for the year including the contribution from discontinued operations. An operating review of profit from operations relating to the continuing operations of the Group follows including an analysis of marketing, restructuring costs, amortisation and impairment of acquisition intangibles, non-trading items and IAS 39 adjustment.

Following the executive summary, there is a review of the business and 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, exceptional items and IAS 39 adjustment. This is the measure of profit or loss for each reportable segment used by the CEC and segment management. The CEC also review underlying profit from operations before business improvement costs at the reportable segment level.

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

References to **re-presented** information refer to the re-presentation of 2007 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 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 which are restructuring in nature but are part of the ongoing maintenance of an efficient business.

References to **base business** or **normal 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 to the reported results is included on page 86.

Executive summary

	2008 £m	2007 £m	Reported currency growth %	Constant currency growth[2] %
Revenue	**5,384**	**4,699**	**+15**	**+6**
Underlying profit from operations[1]	**638**	473	+35	+22
Underlying operating margin	**11.9%**	10.1%		
Profit from operations	**388**	**278**		
Underlying profit before tax[1]	**559**	430	+30	+17
Profit before tax	**400**	**254**		
Discontinued operations	**(4)**	**258**		
Profit for the period	**366**	**407**		
EPS – Continuing Operations				
– Underlying EPS[1]	**24.9p**	14.7p		
– Reported EPS	**22.8p**	**7.0p**		
EPS – Continuing and Discontinued				
– Underlying EPS[1]	**30.1p**	30.2p		
– Reported EPS	**22.6p**	**19.4p**		
Proforma EPS[3]	**29.8p**	23.0p	+30	+16
Dividend per share	**16.4p**	15.5p	+6	

1 Cadbury plc believes that underlying profit from operations, underlying profit before tax and underlying earnings per share provide additional information on underlying trends to shareholders. The term underlying is not a defined term under IFRS, and may not be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for, or superior to, IFRS measurements of profit. A full reconciliation between underlying and reported measures is included in the segmental reporting and reconciliation of underlying measures note.

2 Constant currency growth excludes the impact of exchange rate movements during the period.

3 As a result of the Scheme of Arrangement to replace Cadbury Schweppes plc with Cadbury plc as the new holding company of the Group and the subsequent demerger of the Americas Beverages business, the shares of the Group were restructured with 100 Cadbury Schweppes shares exchanged for 64 Cadbury shares and 12 shares in DPSG. Proforma EPS calculates underlying earnings per share of the continuing Group with reference to the underlying net profit from continuing operations of £403 million (2007: £309 million) and assumes that the share consolidation was in place for the entire period in both 2007 and 2008 resulting in the proforma weighted average number of shares used to calculate proforma EPS of 1,347 million (2007: 1,336 million).

Review of Group Income Statement

(a) Revenue

Revenue in 2008 was £5,384 million. This was £685 million, or 15%, higher than in 2007 as a result of strong base business growth of £324 million (+7%) and favourable currency movements of £395 million (+9%) partially offset by the net impact of acquisitions of £34 million (–1%).

(b) Profit from operations

Underlying profit from operations was £638 million, £165 million or 35% higher than in 2007 principally as a result of a £109 million increase in base business performance and a £61 million favourable impact from currency movements.

Profit from operations at £388 million was up £110 million (+40%) compared to 2007. This was principally driven by the increase in underlying profit from operations and exchange rates as discussed above, partially offset by a £29 million increase in restructuring costs of and a £39 million increase in the IAS 39 hedge to spot charge.

(c) 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.

(d) Financing
In 2008, the Group has a net financing credit of £2 million compared to a charge of £32 million in 2007. After allowing for the £94 million gain from fair value movements on commodity, interest rate and currency derivatives and a £3 million non-underlying charge relating to the unwinding of a discount on restructuring provisions, the net underlying finance charge was £89 million, a £38 million increase from 2007. The increase 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. However, on an underlying basis the interest cover decreased slightly from 6 times in 2007 to 5.6 times in 2008, as increased profits from operations were offset by increased interest costs.

Reported profit before tax increased by 57% to £400 million.

(e) Taxation
Underlying profit before tax from continuing operations increased by 30% to £559 million. The continuing operations underlying tax rate in 2008 was at 27.9% stable compared with 28.1% in 2007.

(f) Discontinued operations:
Americas Beverages
On May 7 2008 the Group completed the demerger of the Americas Beverages business.

Through to demerger, Americas Beverages generated an operating profit in 2008 of £146 million, with an underlying operating profit of £157 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 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.

In 2008 the Australia Beverages business generated an operating profit of £27 million, with an underlying operating profit of £29 million. The operating profit for the full year in 2007 was £24 million. The group recognised a £40 million non-underlying gain relating to the planned disposal and the profit for the year was £56 million (2007: £17 million).

(g) Profit for the year
Total profit for the year was £366 million, a decrease of £41 million from 2007 as a result of the demerger of the Americas Beverages business in May partially offset by improved performance of the continuing group and currency movement.

(h) 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).

(i) Earnings per share
Earnings per ordinary share from continuing operations

	2008 pence	2007 pence
Reported earnings per share	**22.8**	**7.0**
Restructuring costs	**12.2**	7.9
Amortisation and impairment of acquisition intangibles	**0.2**	0.9
Non-trading items	**–**	(0.1)
IAS 39 adjustment – fair value accounting	**(2.5)**	(0.2)
Tax effect on the above[1]	**(7.8)**	(0.8)
Underlying earnings per share	**24.9**	**14.7**
Proforma earnings per share	**29.8**	**23.0**

[1] Includes tax arising on certain reorganisations carried out in preparation for the separation of the Americas Beverages business and 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.

Underlying earnings per share increased by 10.2 pence to 24.9 pence principally reflecting the improved underlying performance, exchange rate movements and the share consolidation.

As discussed on page 36, management consider proforma earnings per share, which assumes that the share consolidation was in place from the beginning of 2007 to be the most meaningful underlying earnings per share measure for the continuing business in 2008.

Proforma earnings per share increased by 30% from 23.0 pence to 29.8 pence driven by base business performance (+4.6 pence) and the impact of exchange rates (+3.1 pence) offset by an increase in the proforma number of shares (-0.2 pence) and the impact of acquisitions and disposals (-0.7 pence).

Earnings per share – total group
Continuing and discontinued reported earnings per share were 22.6 pence, up 3.2 pence or 16% on 2007 as a result of the significantly lower net gain on discontinued operations compared to 2007, which partially offset the stronger underlying performance, the change in share structure and currency movements.

(j) 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 underlying dividend cover decreased to 1.8 times from 2.0 times in 2007 principally reflecting the increased dividend. Further dividend information for shareholders is given in Shareholder Information on page 141.

Operating review – key considerations

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 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.

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 factors
A discussion of the external factors that affect our business is contained in the 'Our approach to risk management', primarily the section titled 'Risk factors' on pages 32 to 33.

Internal factors
A discussion of the Group's strategy is contained in the Strategic Review on page 15.

2009 outlook
A discussion of our expectation of the 2009 underlying trading performance is set out within the Chairman's statement on page 5.

Operating review 2008 compared to 2007 – Continuing Operations

Executive summary

Analysis of results	2007 £m	Base business growth £m	Acquisitions/ Disposals £m	Business improvement costs £m	Exchange effects £m	**2008 £m**
Revenue	**4,699**	**324**	**(34)**	**–**	**395**	**5,384**
Underlying profit from operations	**473**	**109**	**(4)**	**(1)**	**61**	**638**
– Restructuring costs	(165)					**(194)**
– Amortisation and impairment of intangibles	(18)					**(4)**
– Non-trading items	2					**1**
– IAS 39 adjustment	(14)					**(53)**
Profit from operations	**278**					**388**

The key highlights of 2008 for continuing operations were as follows:

> 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. Exchange rate movements had a beneficial impact on revenues with reported revenues ahead by 15%.
> Growth was balanced across our three categories with our chocolate revenues up 6%, gum up 10% and candy revenues up 6%.
> Underlying operating margins at constant exchange rates rose by 150 bps with exchange rate movements increasing the improvement to 180 bps.
> 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.

Review of 2008 Operating Results
(a) 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.

(b) Profit from operations

Profit from operations increased by £110 million (40%) to £388 million compared to 2007. This was driven by:

> a £165 million increase in underlying profit from operations;
> a decrease of £14 million in amortisation and impairment of acquisition intangible assets; offset by
> an increase in restructuring costs of £29 million; and
> an increase of £39 million charge to the IAS 39 adjustment.

Underlying profit from operations (profit from operations before restructuring costs, non-trading items, amortisation and impairment of acquisition intangibles, exceptional items and the IAS 39 adjustment) was £638 million. This was £165 million or 35% higher than in 2007.

Currency movements had a £61 million (13%) favourable impact on underlying profit from operations. The impact of acquisitions, net of disposals, was to reduce underlying profit from operations by £4 million.

Underlying operating margin increased by 180 basis points to 11.9%. Excluding the impact of exchange, underlying operating margins increased by 150 basis points.

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	2007 £m
Vision into Action	**142**	151
Onerous contract and penalties – Gumlink	**27**	9
Separation costs	**16**	5
Acquisition integration costs	**9**	–
Restructuring costs	**194**	**165**

Of this total 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 42 to 44. The table below details the business segment analysis of restructuring costs.

Business segment analysis	**2008 £m**	2007 £m
BIMA	**21**	60
Europe	**63**	18
Americas	**18**	33
Asia Pacific	**32**	8
Central	**60**	46
Restructuring costs	**194**	**165**

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.

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%, underlying operating profit by 13% and proforma earnings per share by 14%.

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.

Allocation of central costs

The Group has re-presented the segmental analysis which follows for the comparative 2007 financial information to allocate certain global Supply Chain, Commercial and Science and Technology costs, which directly support the regions, to the regional operating segments. This is consistent with the way which the Chief Operating Decision Maker reviews the results of the operating segments.

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	**1,645**
year-on-year change	–	+6.5%	–4.2%	–	+1.9%	**+4.2%**
Underlying profit from operations	153	30	(8)	(3)	1	**173**
year-on-year change	–	+19.6%	–5.2%	–2.0%	+0.7%	**+13.1%**
Underlying operating margins	9.7%	+120 bps	–	–	–	**10.5%**

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 revenues 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.

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
Revenue	879	33	45	–	140	**1,097**
year-on-year change	–	+3.8%	+5.1%	–	+15.9%	**+24.8%**
Underlying profit from operations	82	12	3	(2)	20	**115**
year-on-year change	–	+14.6%	+3.7%	–2.4%	+24.3%	**+40.2%**
Underlying operating margins	9.3%	+100 bps	–	–	–	**10.5%**

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
Revenue	1,372	135	(16)	–	140	**1,631**
year-on-year change	–	+9.8%	–1.2%	–	+10.2%	**+18.9%**
Underlying profit from operations	234	51	–	2	28	**315**
year-on-year change	–	+21.8%	–	+0.9%	+12.0%	**+34.6%**
Underlying operating margins	17.1%	+180 bps	–	–	–	**19.3%**

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
Revenue	860	54	3	–	85	**1,002**
year-on-year change	–	+6.3%	+0.3%	–	+9.9%	**+16.5%**
Underlying profit from operations	122	2	1	6	12	**143**
year-on-year change	–	+1.6%	+0.8%	+4.9%	+9.9%	**+17.2%**
Underlying operating margins	14.2%	–60 bps	–	–	–	**14.3%**

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%.

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 Bubbaloo 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	–	–	–	–	**–**

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.

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.

Gearing is calculated as follows:

	2008 £m	2007 £m
Net debt (see page 37)	**1,887**	3,219
Ordinary shareholders' funds	**3,522**	4,162
Equity minority interests	**12**	11
	3,534	4,173
Gearing ratio %	**53**	**77**

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 £1.3 billion of undrawn facilities at the current date, including the £1 billion revolving credit facility which expires in March 2010 and a £300 million facility secured subsequent to 31 December 2008. The conditional Australia Beverages disposal is expected, on completion, to generate proceeds of around £475 million, at which time £300 million of the undrawn facilities expire. 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.

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	–	–
Total	**4,102**	**152**	**2,417**	**218**	**837**	**478**

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
Payments						
Estimated foreign exchange payments – forward contracts	1,879	–	1,835	44	–	–
Receipts						
Estimated foreign exchange receipts – forward contracts	1,850	–	1,804	46	–	–
Net payments/(receipts)	**29**	**–**	**31**	**(2)**	**–**	**–**

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

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	–	–
Total	**5,400**	**44**	**3,959**	**719**	**146**	**532**

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
Payments						
Estimated foreign exchange payments – forward contracts	703	–	684	19	–	–
Receipts						
Estimated foreign exchange receipts – forward contracts	685	–	667	18	–	–
Net payments	**18**	**–**	**17**	**1**	**–**	**–**

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.

Cash Flows
Free Cash Flow
We define Free Cash Flow as the amount of cash generated by the business after meeting all our obligations for interest, tax and after all capital investment (see page 36).

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.

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

Net cash inflow from operating activities as shown in the cash flow statement on page 85 was £469 million (2007: £812 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.

Net cash outflow before financing in 2008 was £362 million (2007: £245 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, the net drawdown of borrowings was £304 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. 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), 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.

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.

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 48 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 48 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.

As at 31 December 2008:

	Impact on the Income Statement arising from		
	Fair value £m	1% decrease in interest rates £m	20% weakening in £ against other currencies[1] £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 the Income Statement arising from		
	Fair value £m	1% decrease in interest rates £m	10% weakening in £ against other currencies[1] £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)

[1] 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%)). 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

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.

(a) 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 expect 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. 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.

(b) 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, 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.

(c) 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 value in use of assets. Conversely, lower estimates of cash flows will decrease the value in use 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 lower than originally predicted.

(d) 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 value in use of the long-lived assets, which could result in the value in use 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%.

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 potential need for, or the size of, an impairment charge.

(e) 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.

(f) 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, while 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.

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.

(g) 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 while 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	Re-presented 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.

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 financial information.

Board of Directors and Group Secretary

1 Roger Carr
Chairman

2 Todd Stitzer
Chief Executive Officer

3 Ken Hanna
Chief Financial Officer

4 Dr Wolfgang Berndt
Independent
Non-Executive Director

5 Guy Elliott
Senior Independent
Non-Executive Director

6 Lord Patten
Independent
Non-Executive Director

7 Raymond Viault
Independent
Non-Executive Director

8 Colin Day
Independent
Non-Executive Director

9 Baroness Hogg
Independent
Non-Executive Director

10 Henry Udow
Chief Legal Officer
and Group Secretary

11 Andrew Bonfield
Chief Financial Officer
Designate

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.
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 TSB Group 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

directors' report

Items covered in this section:

General
The Directors present their Report together with the audited financial statements for the year ended 31 December 2008.

Principal activities
Our principal activities are detailed in the Strategic Review on pages 8 to 33 and incorporated by reference into this report. They are deemed to be part of this report. The operating companies principally affecting our profit or net assets in the year are listed in Note 35 to the financial statements.

Business review
Cadbury plc is required by the Companies Act 2006 to set out in this report a fair review of the business of the Group during the financial year ended 31 December 2008 and of the position of the Group at the end of the year.

On 2 May 2008, by means of a Scheme of Arrangement, Cadbury Schweppes plc, the Group's ultimate parent company and the company whose securities were listed on the London and New York Stock Exchanges, was replaced as the Group's ultimate parent and listed entity by Cadbury plc, a newly incorporated company. Shareholders holding Ordinary Shares in Cadbury Schweppes plc became shareholders in Cadbury plc on that date, holding both Ordinary and Beverages shares in that Company. On 7 May 2008 the Beverage shares were exchanged for common stock in Dr Pepper Snapple Group, Inc. and Cadbury Schweppes plc was renamed Cadbury Holdings Limited.

You may find the following items of interest:

> a review of the business and a commentary on its strategy, performance and development is set out in the Chairman's statement on pages 2 to 7;
> the Strategic Review on pages 8 to 33;
> Financial Review on pages 34 to 51;
> in addition, the principal risks and uncertainties facing the business are detailed on pages 32 to 33;
> Treasury Risk on Management Policies are discussed in the Financial Review on pages 46 to 48;
> environmental policies, their performance and impact on the Group are discussed on page 55;
> research and development in the business of the Group is discussed on pages 14 and 25;
> the Company's capital structure is discussed on pages 56 and in Note 28 on pages 126 to 128; and
> key performance measures are discussed in the Financial Review on pages 10 to 11.

All the information detailed in those sections listed above which is required for the business review or otherwise for this report is incorporated by reference in (and shall be deemed to form part of) this report.

Further information relating to, the Group's performance can be assessed by comparative data from Euromonitor, examples of which are given in the Strategic Review, and by our comparative TSR performance against the FTSE 100 (on page 69). Performance indicators relating to corporate and social responsibility can also be found in our biennial Corporate Responsibility and Sustainability Review on our website.

Revenue and profit
Revenue during the period amounted to £5,384 million (2007: £4,699 million). Profit before taxation amounted to £400 million (2007: £254 million).

Legal proceedings
Cadbury plc and its subsidiaries are defendants in a number of legal proceedings incidental to their operations. The outcome of such proceedings, either individually or in aggregate, is not expected to have a material effect upon the results of our operations or financial position.

Financial instruments
Information on our use of financial instruments, our financial risk management objectives and policies, and our exposure to credit liquidity and market risks, is provided in the Financial Review.

Corporate and Social Responsibility
We publish a separate Corporate Responsibility and Sustainability Review every other year on our website, www.cadbury.com.

Our CSR performance is rated by various external organisations and this helps us assess how we are progressing. External indices include: Dow Jones Sustainability World Index; FTSE4Good; the Carbon Disclosure Project; Climate Leadership Index; and the UK's Business in the Community Corporate Responsibility Index.

Employees with disabilities
Applications for employment by disabled persons are always fully considered. We employ people with disabilities, though not all are formally registered as disabled in UK terms. If an employee becomes disabled, we aim wherever possible to offer an alternative job, with retraining if necessary. Training, career development and promotion opportunities for people with disabilities are consistent with our Group-wide policy on equal employment opportunities, diversity and inclusiveness.

Employee communication and involvement
Employee communication and engagement continued to grow in 2008, with all areas of the business introducing enhanced communication structures and programmes. We keep employees regularly informed through colleague communications via email and via the Group's intranet. Our financial results are always presented to employees through various media channels. Through our subsidiaries, we have successfully entered into numerous collective bargaining agreements. Our management has no reason to believe that it would not be able to renegotiate any such agreements on favourable terms.

Employee share ownership
Share ownership amongst our employees is actively encouraged. Employees in many of the countries in which we operate have access to all-employee share plan arrangements. Overall around 30% of all eligible employees choose to participate and invitations to do so are issued on an annual or biennial basis.

Charitable and political contributions
In 2008, the value of Cadbury's contribution to non-profit causes totalled £10.1 million (2007: £9.973 million) million, paid in respect of the following charitable purposes: education and enterprise, environment and health and welfare.

The Company has a long standing policy of not making contributions to any political party. In 2008, in compliance with this policy, neither the Company, nor any of its subsidiaries, made any donation to any registered party or other EU political organisation, incurred any EU political expenditure or made any contribution to a non-EU political party, each as defined in the Political Parties, Elections and Referendums Act 2000 ("PPERA").

However, the PPERA contains very wide definitions of what constitutes a political donation and political expenditure. Accordingly, as a precautionary measure to protect the Company in the event that a payment which could be classified as a political donation is made inadvertantly, approval will be sought at the 2009 AGM for the Company to make donations to political organisations and to incur political expenditure up to a maximum aggregate of £100,000.

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: these targets are described in more detail on page 31.

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 IS014001 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.

Auditors
In accordance with the provisions of Section 234ZA of the Companies Act 1985, each of the Directors at the date of approval of this report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Group's auditors are unaware; and
- the Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

The Group's auditors are Deloitte LLP, who are willing to continue in office and resolutions for their re-appointment and to authorise the Directors to determine their remuneration will be proposed at the AGM.

Note 6 in the financial statements states the auditors' fees, both for audit and non-audit work.

Dividends
The Directors recommend a final dividend of 11.1 pence per ordinary share (2007: 10.5p) to be paid on 22 May 2009 to ordinary shareholders on the register as at 24 April 2009.

An interim dividend of 5.3 pence was paid on 17 October 2008, which makes a total of 16.4 pence per ordinary share for the period (2007: 15.5p).

Directors
The names of our Directors, together with biographical details, are set out on pages 52 and 53 and incorporated by reference into this report and deemed part of this report.

At the 2009 Annual General Meeting, Roger Carr and Todd Stitzer will retire by rotation in accordance with Article 83 (A) (ii) of the Articles of Association, and, being eligible, will each offer themselves for re-election. Ken Hanna will retire as a Director with effect from 3 April 2009.

Baroness Hogg, Colin Day and Andrew Bonfield will also retire and offer themselves for election in accordance with Article 83 (A) (i) of the Articles of Association, having been appointed as Directors since the last Annual General Meeting.

The explanatory notes to the Notice of Meeting set out why the Board believes that these Directors should be re-elected or elected.

Capital Structure
Details of the authorised and issued share capital, together with details of movements in the issued share capital of Cadbury plc during the year are shown in Note 28 which is incorporated by reference and deemed to be part of this report. The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

The percentage of the issued nominal value of the ordinary shares is 100% of the total issued nominal value of all share capital.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in Note 26. Shares are held by the Cadbury Employee Benefit Trust. The trust waives its right to vote on the shareholding, and to a dividend.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

With regards to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Combined Code, the Companies Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of Directors are described in the Main Board's Terms of Reference, copies of which are available on request, and the Corporate Governance Report on page 58.

At the 2008 AGM of Cadbury Schweppes plc the Directors were authorised to issue relevant securities up to an aggregate nominal amount of £87,100,490 (approximately 33% of the issued ordinary share capital as at 10 March 2008); renewal was also sought for the following authorities: (a) for the Directors to allot relevant securities and to allot equity securities for cash (up to a maximum aggregate nominal amount of £13,197,043) other than on a pre-emptive basis, shareholders having approved similar resolutions annually in the Group's ultimate parent company (previously Cadbury Schweppes plc) since 1982; and (b) for the Company to purchase its own shares (maximum total nominal value of £26,394,087 shareholders having approved a similar resolution in Cadbury Schweppes plc annually since 1998. The Directors did not utilise this authority during 2008 and 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 was not used in 2008 and has not been used since 1999. The Directors will seek to renew similar authorities in 2009.

Directors' responsibilities
The Statement of Directors' responsibilities in relation to the financial statements is set out on page 80. The statement by the auditors on corporate governance matters is contained in their report on pages 80 and 81.

Directors' share interests
The interests in the share capital of the Company of Directors holding office during the period at the beginning of the period, 1 January 2008 (or date of appointment if later), and the end of the period, 31 December 2008, are detailed in the Directors' Remuneration Report on page 77.

Directors' indemnities
Since February 2005, we have granted indemnities to each of the Directors, one member of our senior management and the Group Secretary to the extent that the Company is permitted by law. These indemnities are uncapped in amount, in relation to certain losses and liabilities which they may incur to third parties in the course of acting as directors (or company secretary as the case may be) or employees of the Company or of one or more of its subsidiaries or associates.

Substantial shareholdings

At the date of this Report we have been notified, in accordance with the Disclosure and Transparency Rules, of the following interests in the ordinary share capital of the Company:

	Number of shares in which there is an interest	Interest in issued share capital
Van Kampen Investments	69,434,682	5.11%
Legal & General Investment Management	68,141,189	5.00%
Morgan Stanley Investment Management Limited	66,027,420	4.87%
Trian	46,697,767	3.45%

Policy on payment to suppliers

We adhere to the Better Payment Practice Guide. Our policy is, when agreeing the conditions of each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by, and settle in accordance with, these terms. As Cadbury plc is a parent company, it has no trade creditors.

Contractual arrangements

Pursuant to section 992 of the Companies Act 2006, the Directors disclose that in the event of a change of control in the Company: (i) the Company may be obliged to offer to sell its shares in Camelot to the other shareholders at fair market value; (ii) the Company's £1 billion Revolving Credit Facility (dated 17 March 2005) and its £300 million Revolving Credit Facility (dated 23 January 2009) could become repayable; (iii) where the change of control is coupled with a Rating Downgrade or Negative Rating Event (in each case as defined), holders of the Company's £350 million 7.25 per cent Notes due July 2018 become entitled to put their Notes back to the issuer at their nominal amount, plus accrued interest; and (iv) an Exclusive Bottling Agreement, which the Company has entered into in Australia, could become terminable.

The Company is required to disclose any contractual or other arrangements which it considers are essential to its business. The Group has a wide range of suppliers and customers for its businesses, and whilst the loss of or disruption to certain of these arrangements could temporarily affect the operations of the Group, none are considered to be essential. Directors' contracts are discussed in the Directors' Remuneration Report on pages 69 to 70.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review on pages 8 to 33. The financial position of the Group, its cash flows, liquidity position, borrowing facilities and treasury risk management policies are described in the Financial Review on pages 44 to 51. In addition, note 27 to the financial statements includes details of the Group's borrowings and financial instruments.

The risks facing the Group are identified and described in the Strategic review on pages 32 to 33. The Group has considerable financial resources and an advantaged business model that operates across many different customers and suppliers in multiple geographies. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

On the basis of current financial projections and facilities available and after making enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they consider that it is appropriate to adopt the going concern basis in preparing the annual report and accounts.

By order of the Board

Henry Udow
Chief Legal Officer and Group Secretary

24 February 2009

corporate governance report

Items covered in this section:

Up to 1 May 2008, all references to the Board, Board meetings, Committee meetings, appointments and resignations that are referred to in this report are in relation to Cadbury Schweppes plc, which was the ultimate parent company of the Group until that date. From 2 May 2008, such references are in relation to Cadbury plc, which became the new ultimate parent company of the Group by means of a Scheme of Arrangement.

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 "Code"). 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. Further explanation of how the principles have been applied is set out below and in the Directors' Remuneration Report and Audit Committee Report. 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.

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.

The Board

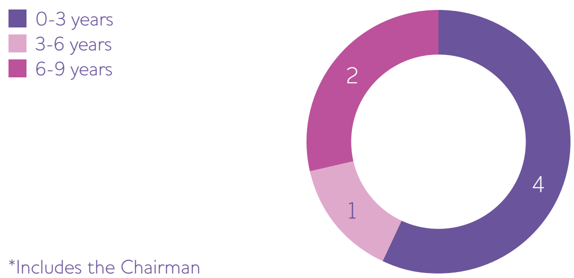
At the date of this report, the Board has 9 members: the Chairman, two Executive Directors, and six Non-Executive Directors. All six Non-Executive Directors are deemed independent under the provisions of the Code. No individual or group of individuals dominates the Board's decision-making. Collectively, 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 53.

Length of Tenure of Non-Executive Directors*



*Includes the Chairman

Board of Cadbury plc's Current External Appointments by Category

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
Number of meetings held during period	**3**	**2**	**0**	**1**	**2**
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
Number of meetings held during period	**5**	**1**	**2**	**2**	**2**	**3**
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 day to day 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 61.

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 day to day 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 Chief Executive's Committee 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.

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 in the Directors' Remuneration Report on page 72.

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 Directors' Remuneration Report on page 72 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.

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.

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.

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;
> 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 66.

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 in the Strategic Review on page 30 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, Jim 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 Steenbergen, 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 26, three members left the Committee in 2008 (Matt 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;
- 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 32 to 33;
> 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 47 to 48).

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 137.

The Group is subject to the requirements of the US Sarbanes-Oxley Act 2002 as a result of the listing of its American Depositary Receipts (ADRs) on the New York Stock Exchange. Internal controls have been evaluated and enhanced where necessary to comply with section 404 of that Act. Testing of these controls will be completed prior to the filing of the Company's Form 20-F with the US SEC, and a report on compliance with this legislation will be made in that document.

The Board's annual review of the system of internal control has not identified any failings or weaknesses which it has determined to be significant, and therefore no remedial actions are necessary. Accordingly, the Directors confirm that in compliance with principle C.2 of the Code, the system of internal control for the year ended 31 December 2008 and the period up to 24 February 2009 has been reviewed in line with the criteria set out in the Turnbull guidance currently applicable.

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.

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.

Roger Carr
Chairman

24 February 2009

directors' remuneration report

Items covered in this section:

Introduction

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;
- 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 Chief Executive's Committee; 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.

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)

The Chairman 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. 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. 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%**

The Fair Value percentage was applied to the maximum original award over Cadbury Schweppes plc shares, and the size of the

Overview of remuneration elements for executives including Executive Directors

Element	Objective	Performance period	Performance conditions for awards
Base salary (see page 70)	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 70)	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 71)	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 71)	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 73 to 77. Directors and executives also have interests in Discretionary Share Option Plans granted in previous years, see page 76.

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.

Share-based awards and dilution

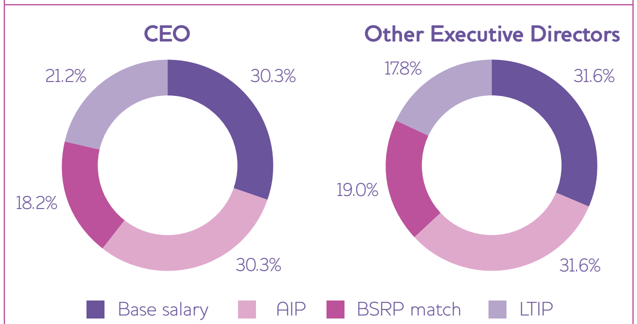
We ensure that the aggregate of all share-based awards which use newly issued shares does not exceed the guidelines laid down by the Association of British Insurers (ABI). These guidelines provide that options issued to employees under the Company's all employee schemes should not exceed an aggregate 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 quantums 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:

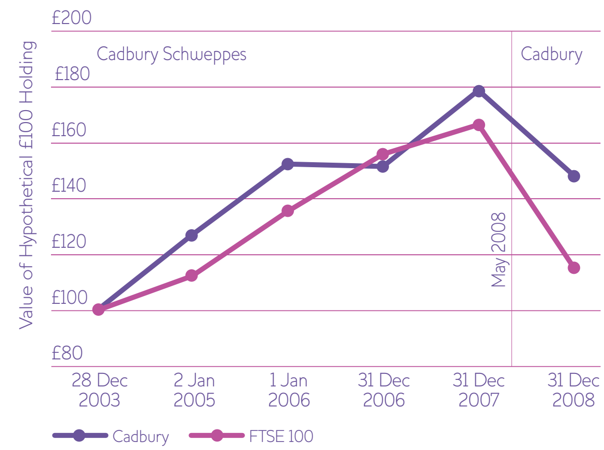
Total compensation



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.

Historical TSR performance growth in the value of a hypothetical £100 holding over five years. FTSE 100 comparison based on 30 trading day average values



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 73. 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:

		Percentage of total relating to:	
	Total (as a % of base salary)	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%

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 73.

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 73 and 75.

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%

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 75.
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 for defined benefit plans. 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 75.

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 £24,750	(J Sainsbury plc) (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.

Audited information

Directors' remuneration tables

In the following tables, references to CEC members means the individuals who are members of the Chief Executive's Committee (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	AIP/BSRP (c) £000	**2008 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 70 and 71. 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 68. 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.

(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 68 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 71.

(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
SirJohn 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 68 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 71.

(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 71.

(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
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 72. 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 this 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
Ken Hanna								
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**					
Bob Stack								
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**					
Todd Stitzer								
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 68.

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 68.)

(e) Shareholdings of CEC members also include restricted or conditional share awards, the release of which is dependent upon specified conditions.

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 the date of this report.

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.

By order of the Board

Dr Wolfgang Berndt
Chairman of the Remuneration Committee

24 February 2009

financial record

Items covered in this section:

Group financial record

			IFRS		
	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m	Re-presented 2005 £m	Re-presented 2004 £m
Revenue – Continuing operations (a)					
BIMA (b)	**1,645**	1,579	1,500	1,420	1,365
Europe (b)	**1,097**	879	818	837	808
Americas	**1,631**	1,372	1,330	1,228	1,093
Asia Pacific	**1,002**	860	827	801	714
Central (c)	**9**	9	8	9	10
	5,384	**4,699**	**4,483**	**4,295**	**3,990**
Underlying profit from operations (profit from operations excluding non-trading items, restructuring costs, amortisation and impairment of acquisition intangibles, UK product recall and IAS 39 adjustment)					
Continuing operations (a)					
BIMA (b)	**173**	153	170	203	223
Europe (b)	**115**	82	81	102	74
Americas	**315**	234	192	160	133
Asia Pacific	**143**	122	132	127	103
Central (c)	**(108)**	(118)	(110)	(113)	(114)
	638	**473**	**465**	**479**	**419**
Restructuring costs	**(194)**	(165)	(107)	(62)	(110)
Amortisation and impairment of acquisition intangibles	**(4)**	(18)	(19)	(4)	(5)
Non-trading items	**1**	2	23	5	17
UK product recall	**–**	–	(30)	–	–
IAS 39 adjustment	**(53)**	(14)	(4)	21	n/a
Profit from operations	**388**	**278**	**328**	**439**	**321**
Share of result in associates	**10**	8	(15)	13	11
Profit before financing and taxation	**398**	**286**	**313**	**452**	**332**
Financing	**2**	(32)	(69)	(129)	(145)
Profit before taxation	**400**	**254**	**244**	**323**	**187**
Taxation	**(30)**	(105)	(68)	24	11
Discontinued operations	**(4)**	258	989	429	349
Minorities	**(2)**	(2)	4	(11)	(22)
Profit for the period attributable to equity holders of the parent	**364**	**405**	**1,169**	**765**	**525**

(a) In 2005, the Group's beverage business in Europe was classified as discontinued operations. In 2006, the Group completed the disposal of the South African beverage business. As these disposals were part of the Group's strategic decision to exit beverages outside the Americas and Australia, they have also been classified as discontinued operations. In 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 (previously reported within the Asia Pacific segment). These businesses have been classified as discontinued operations. This has required the re-presentation of the 2007, 2006, 2005 and 2004 financial statements on a comparable basis.

(b) During 2007, the Group reorganised its confectionery regions and split the former EMEA (Europe, Middle East and Africa) region into two regions, BIMA (Britain, Ireland, Middle East and Africa) and Europe. The segmental information above has been re-presented on a consistent basis.

(c) The Group has re-presented its segmental analysis for the comparative 2007, 2006, 2005 and 2004 financial information to allocate certain global Supply Chain, Commercial and Scientific and Technology 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.

Group financial record

	IFRS				
	2008 £m	2007 £m	2006 £m	2005 £m	2004 £m
Cash flows					
Net cash from operating activities	**469**	812	620	891	745
Additional funding of past service pensions deficit	**30**	48	67	31	–
Demerger financing costs	**53**	–	–	–	–
Income taxes paid on disposals	**44**	12	83	–	–
Net capital expenditure	**(482)**	(352)	(300)	(261)	(259)
Net dividends received from/(paid to) associates and minorities	**10**	7	2	4	(11)
Free Cash Flow[1]	**124**	**527**	**472**	**665**	**475**
Balance sheets					
Assets employed					
Intangible assets and goodwill	**3,973**	6,332	5,903	5,648	5,757
Property, plant and equipment	**1,761**	1,904	1,664	1,446	1,464
Retirement benefit assets	**17**	223	–	–	–
Other non-current assets	**239**	208	248	567	419
Assets held for sale	**270**	71	22	945	5
Inventory and trade and other receivables	**1,834**	2,018	1,914	1,893	1,859
Other current assets	**303**	87	87	114	30
Cash and short-term investments	**498**	495	395	379	346
Total assets	**8,895**	**11,338**	**10,233**	**10,992**	**9,880**
Total current liabilities, excluding borrowings and provisions	**(2,048)**	(1,920)	(1,862)	(1,841)	(1,696)
Liabilities directly associated with assets classified as held for sale	**(97)**	(18)	(9)	(291)	–
Total non-current liabilities, excluding borrowings, provisions and retirement benefit obligations	**(188)**	(1,198)	(1,085)	(1,124)	(1,106)
Provisions	**(368)**	(172)	(73)	(53)	(77)
Retirement benefit obligations	**(275)**	(143)	(204)	(369)	(485)
	5,919	**7,887**	**7,000**	**7,314**	**6,516**
Financed by					
Gross borrowings	**2,385**	3,714	3,304	4,279	4,216
Minority interests	**12**	11	8	27	229
Called-up share capital	**136**	264	262	260	259
Share premium account	**38**	1,225	1,171	1,135	1,098
Retained earnings and other reserves	**3,348**	2,673	2,255	1,613	714
	5,919	**7,887**	**7,000**	**7,314**	**6,516**
Net debt					
Gross borrowings	**2,385**	3,714	3,304	4,279	4,216
Less: Cash and short-term investments	**(498)**	(495)	(395)	(379)	(346)
	1,887	**3,219**	**2,909**	**3,900**	**3,870**

[1] In 2007, the Group revised its definition of Free Cash Flow to exclude dividends payable to equity shareholders to align with market practice, and the prior periods have been re-presented on a comparable basis.

financial statements

Items covered in this section:

Statement of Directors' responsibilities in relation to the financial statements

The following statement, which should be read in conjunction with the auditors' statement of auditors' responsibilities set out in their report, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the financial statements.

The Directors are responsible for preparing the Annual Report and Accounts and Directors' Remuneration Report in accordance with applicable law and regulations. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards (IFRS) and have also elected to prepare the parent company financial statements in accordance with IFRS. Company law requires the Directors to prepare such financial statements for each financial year in accordance with IFRS, as adopted by the European Union, the Companies Act 1985 and Article 4 of the IAS Regulation.

International Accounting Standard 1 requires that financial statements present fairly for each financial period the Company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. The Directors are also required to:

> properly select and apply accounting policies;
> present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
> provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report and Directors' Remuneration Report which comply with the requirements of the Companies Act 1985.

The Directors have general responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditors' report to the members of Cadbury plc

We have audited the Group and Parent Company financial statements (the "financial statements") of Cadbury plc for the year ended 31 December 2008 which comprise the Group Income Statement, the Group Statement of Recognised Income and Expense, the Group and Parent Company Balance Sheets, the Group and Parent Company Cash Flow Statement, Group Segmental reporting (a) to (d) and the related notes 1 to 40.

These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
The Directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented elsewhere in the document that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2006 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

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

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

Opinion
In our opinion:
> the Group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended;
> the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2008;
> the financial statements and the part of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
> the information given in the Directors' Report is consistent with the financial statements.

Separate opinion in relation to IFRSs
As explained in Note 1(b) to the financial statements, the Group in addition to complying with its legal obligation to comply with IFRSs as adopted by the European Union, has also complied with the IFRSs as issued by the International Accounting Standards Board.

In our opinion the Group financial statements give a true and fair view, in accordance with IFRSs, of the state of the Group's affairs as at 31 December 2008 and of its profit for the year then ended.

Deloitte LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
24 February 2009

Consolidated income statement for the year ended 31 December 2008

Notes		2008 Underlying[1] £m	2008 Non-underlying[2] £m	2008 Total £m	Re-presented 2007 Underlying[1] £m	Re-presented 2007 Non-underlying[2] £m	Re-presented 2007 Total £m
	Continuing operations						
2	**Revenue**	**5,384**	**–**	**5,384**	4,699	–	4,699
3	Trading costs	**(4,746)**	**(57)**	**(4,803)**	(4,226)	(32)	(4,258)
4	Restructuring costs	**–**	**(194)**	**(194)**	–	(165)	(165)
5	Non-trading items	**–**	**1**	**1**	–	2	2
	Profit from operations	**638**	**(250)**	**388**	**473**	**(195)**	**278**
17	Share of result in associates	**10**	**–**	**10**	8	–	8
	Profit before financing and taxation	**648**	**(250)**	**398**	**481**	**(195)**	**286**
9	Investment revenue	**52**	**–**	**52**	56	–	56
10	Finance costs	**(141)**	**91**	**(50)**	(107)	19	(88)
	Profit before taxation	**559**	**(159)**	**400**	**430**	**(176)**	**254**
11	Taxation	**(156)**	**126**	**(30)**	(121)	16	(105)
	Profit for the period from continuing operations	**403**	**(33)**	**370**	**309**	**(160)**	**149**
31	**Discontinued operations[3]**						
	(Loss)/profit for the period from discontinued operations	**84**	**(88)**	**(4)**	323	(65)	258
	Profit for the period	**487**	**(121)**	**366**	**632**	**(225)**	**407**
	Attributable to:						
	Equity holders of the parent	**485**	**(121)**	**364**	**630**	**(225)**	**405**
	Minority interests	**2**	**–**	**2**	2	–	2
		487	**(121)**	**366**	632	(225)	407
	Earnings per share from continuing and discontinued operations						
13	Basic	**30.1p**		**22.6p**	30.2p		19.4p
13	Diluted	**30.0p**		**22.6p**	29.9p		19.2p
	From continuing operations						
13	Basic	**24.9p**		**22.8p**	14.7p		7.0p
13	Diluted	**24.8p**		**22.8p**	14.6p		7.0p

1 Before items described in Note 2 below.
2 Includes restructuring costs, non-trading items, amortisation and impairment of acquisition intangibles, IAS 39 adjustment and any associated tax effect as set out in Note 1(y) to the financial statements.
3 In accordance with IFRS 5, the 2007 income statement, statement 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).

Consolidated statement of recognised income and expense for the year ended 31 December 2008

	2008 £m	Re-presented 2007 £m
Currency translation differences (net of tax)	**580**	132
Actuarial (loss)/gain on post retirement benefit obligations (net of tax)	**(291)**	168
Net income recognised directly in equity	**289**	**300**
Profit for the period from continuing operations	**370**	149
(Loss)/profit for the period from discontinued operations	**(4)**	258
Total recognised income and expense for the period	**655**	**707**
Attributable to:		
Equity holders of the parent	**653**	705
Minority interests	**2**	2
	655	**707**

Balance Sheets at 31 December 2008

Notes		Group 2008 £m	Group 2007 £m	Company[1] 2008 £m
	Assets			
	Non-current assets			
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	–
17	Investment in subsidiaries	–	–	**7,762**
24	Deferred tax assets	**181**	124	–
25	Retirement benefit assets	**17**	223	–
20	Trade and other receivables	**28**	50	–
18	Other investments	**2**	2	–
		5,990	**8,667**	**7,762**
	Current assets			
19	Inventories	**767**	821	–
	Short-term investments	**247**	2	–
20	Trade and other receivables	**1,067**	1,197	**210**
	Tax recoverable	**35**	41	–
	Cash and cash equivalents	**251**	493	–
27	Derivative financial instruments	**268**	46	–
		2,635	2,600	**210**
21	Assets held for sale	**270**	71	–
	Total assets	**8,895**	**11,338**	**7,972**
	Liabilities			
	Current liabilities			
22	Trade and other payables	**(1,551)**	(1,701)	**(65)**
	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)	–
		(3,388)	**(4,614)**	**(65)**
	Non-current liabilities			
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)	–
		(1,876)	**(2,533)**	–
21	Liabilities directly associated with assets classified as held for sale	**(97)**	(18)	–
	Total liabilities	**(5,361)**	**(7,165)**	**(65)**
	Net assets	**3,534**	**4,173**	**7,907**
	Equity			
28	Share capital	**136**	264	**136**
28	Share premium account	**38**	1,225	**38**
28	Other reserves	**850**	(4)	**7,605**
28	Retained earnings	**2,498**	2,677	**128**
28	**Equity attributable to equity holders of the parent**	**3,522**	**4,162**	**7,907**
29	**Minority interests**	**12**	**11**	–
	Total equity	**3,534**	**4,173**	**7,907**

[1] The Company was incorporated on 7 February 2008 and therefore no Company comparative is provided.

On behalf of the Board
Directors: **Todd Stitzer** **Ken Hanna**
24 February 2009

Consolidated cash flow statement for the year ended 31 December 2008

Notes		Group 2008 £m	2007 £m
34	**Net cash inflow from operating activities**	**469**	**812**
	Investing activities		
17	Dividends received from associates	**10**	8
	Proceeds on disposal of property, plant and equipment	**18**	57
	Purchases of property, plant and equipment and software	**(500)**	(409)
	Americas Beverages separation costs paid	**(107)**	(30)
	Americas Beverages net cash and cash equivalents demerged	**(67)**	–
30	Acquisitions of businesses and associates	**16**	(352)
	Net cash assumed on acquisitions	**–**	6
	Sale of investments, associates and subsidiary undertakings	**48**	27
	Cash removed on disposal	**(4)**	(1)
	Acquisitions and disposals	**60**	(320)
	Movement in equity investments and money market deposits	**(245)**	127
	Net cash used in investing activities	**(831)**	(567)
	Net cash (outflow)/inflow before financing activities	**(362)**	**245**
	Financing activities		
	Dividends paid	**(295)**	(311)
	Dividends paid to minority interests	**–**	(1)
	Capital element of finance leases repaid	**(21)**	(21)
	Proceeds on issues of ordinary shares	**58**	56
	Net movement of shares held under Employee Trust	**12**	(13)
	Proceeds of new borrowings	**4,382**	2,026
	Borrowings repaid	**(4,167)**	(1,722)
	Net cash (used in)/generated from financing activities	**(31)**	14
	Net (decrease)/increase in cash and cash equivalents	**(393)**	**259**
	Opening net cash and cash equivalents – total Group	**449**	186
	Effect of foreign exchange rates	**43**	4
	Closing net cash and cash equivalents	**99**	**449**

Net cash and cash equivalents in the continuing group includes overdraft balances of £152 million (2007: £44 million). There are no cash and cash equivalents included in assets held for sale.

The Company had no cash flows and therefore a cash flow statement is not presented. A reconciliation of cash flow from operations for the Company is included in Note 34.

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
Profit from operations	5,384	388	7.2	5,384	638	11.9

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	173
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)
Profit from operations	388	194	4	(1)	53	638
Share of results in associates	10	–	–	–	–	10
Financing	2	3	–	–	(94)	(89)
Profit before taxation	400	197	4	(1)	(41)	559

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[1]	860	109	12.7	860	122	14.2
	4,690	**444**	**9.5**	**4,690**	**591**	**12.6**
Central	9	(166)	n/a	9	(118)	n/a
Profit from operations	**4,699**	**278**	**5.9**	**4,699**	**473**	**10.1**

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[2]					
	Reported performance £m	Reversal of restructuring costs £m	Reversal of amortisation and impairment of intangibles[3] £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[1]	109	8	15	(9)	(1)	122
Central	(166)	46	–	2	–	(118)
Profit from operations	**278**	**165**	**18**	**(2)**	**14**	**473**
Share of result in associate	8	–	–	–	–	8
Financing	(32)	–	–	–	(19)	(51)
Profit before taxation	**254**	**165**	**18**	**(2)**	**(5)**	**430**

1 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.

2 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.

3 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).

(b) Business segment assets and liabilities

	2008						
	Segment assets £m	Investment in associates £m	Unallocated assets[1] £m	Total assets £m	Segment liabilities £m	Unallocated liabilities[1] £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)
Continuing operations	7,717	28	883	8,628	(2,730)	(2,534)	(5,264)
Discontinued operations							
Americas Beverages	–	–	–	–	–	–	–
Australia Beverages[2]	267	–	–	267	(97)	–	(97)
	7,984	28	883	8,895	(2,827)	(2,534)	(5,361)

[1] 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[1] £m	Total assets £m	Segment liabilities £m	Unallocated liabilities[1] £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)
Continuing operations	**6,339**	**25**	**753**	**7,117**	**(1,710)**	**(4,900)**	**(6,610)**
Discontinued operations							
Americas Beverages	3,966	7	–	3,973	(465)	–	(465)
Australia Beverages[2]	248	–	–	248	(90)	–	(90)
	10,553	**32**	**753**	**11,338**	**(2,265)**	**(4,900)**	**(7,165)**

[1] 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.

[2] 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[1] £m	Property, plant and equipment and software intangible additions: – excluding acquired subsidiaries £m	– acquired subsidiaries £m	Depreciation and amortisation of software intangibles £m	Amortisation and impairment of intangibles £m
BIMA	–	77	–	66	–
Europe	(8)	178	(14)	33	2
Americas	–	84	–	48	2
Asia Pacific	–	75	–	29	–
Central	–	13	–	16	–
Continuing operations	**(8)**	**427**	**(14)**	**192**	**4**
Discontinued operations					
Americas Beverages	(3)	61	4	23	8
Australia Beverages	–	16	–	17	–
	(11)	**504**	**(10)**	**232**	**12**

[1] 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 £m	– acquired subsidiaries £m	Depreciation and amortisation of software intangibles £m	Amortisation and impairment of intangibles £m
BIMA	–	116	–	62	–
Europe	288	77	64	26	1
Americas	–	56	–	38	2
Asia Pacific[1]	53	57	9	22	15
Central	–	10	–	20	–
Continuing operations	**341**	**316**	**73**	**168**	**18**
Discontinued operations					
Americas Beverages	42	107	14	69	24
Australia Beverages	–	–	–	14	–
	383	**423**	**87**	**251**	**42**

[1] 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). 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. The Income Statement and related notes for 2007 have been re-presented to classify these businesses as discontinued, in accordance with IFRS 5, "Non-current assets held for sale and discontiuned 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 and IAS 39 adjustment) and underlying operating margins (operating margins before restructuring costs, non-trading items, amortisation and impairment of acquisition intangibles, 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 as disclosed in the going concern statement in the Directors' Report on page 57.

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 costs
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 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 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 2007. 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 the whole of the period from 1 January 2007 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. The results of the Australia Beverages business have been included within discontinued operations for 2008 and the 2007 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 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.

As permitted by section 230 of the Companies Act 1985, the Company has elected not to present its own profit and loss account for the period. Cadbury plc reported a profit for the period, from incorporation on 7 February 2008 to 31 December 2008, of £179 million.

(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.

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

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 period re-presented.

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 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 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.

1. Nature of operations and accounting policies continued

(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.

1. Nature of operations and accounting policies continued

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.

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.

1. Nature of operations and accounting policies continued

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.

To meet the needs of shareholders and other external users of the financial statements, the presentation of the income statement shows clearly through the use of columns, our underlying business performance which provides more useful information on underlying trends.

The principal adjustments made to reported profit and classified as non-underlying 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 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;

> Exceptional items – certain other items which do not reflect the Group's underlying trading performance and due to their significance and one-off nature have been classified as exceptional. 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. In 2008 and 2007 there are no exceptional items in the continuing Group, the exceptional items within discontinued operations 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; and

1. Nature of operations and accounting policies continued

– 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.

> 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

A review of our critical accounting policies and the judgements and estimates made by management when applying our critical accounting policies is discussed on pages 48 to 51, under the headings 'critical accounting estimates', part (a), Brand and other acquisition intangibles, to part (g), Income taxes.

2. Revenue

An analysis of the Group's revenue is as follows:

	2008 £m	Re-presented 2007 £m
Continuing operations		
Sale of goods	**5,375**	4,690
Rendering of services[1]	**9**	9
	5,384	**4,699**
Investment revenue (see Note 9)	**52**	56
Discontinued operations (see Note 31)	**1,389**	3,272
	6,825	**8,027**

[1] 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
Cost of sales	**2,870**	2,504
Distribution costs	**247**	241
Marketing and selling costs	**584**	487
Administrative expenses	**1,098**	1,008
Amortisation of definite life acquisition intangibles	**4**	5
Impairment of goodwill	**–**	13
	4,803	**4,258**

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 include 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 include the cost of information technology, research and development and other back office functions.

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
Revenue	**5,384**	4,699
Cost of sales	**(2,870)**	(2,504)
Gross profit	**2,514**	**2,195**

4. Restructuring costs

During 2008, the Group incurred £200 million (2007: £200 million) of restructuring costs. Of this total charge £6 million (2007: £35 million) relates to discontinued operations as disclosed in Note 31(g) and £194 million (2007: £165 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
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
	194	**165**

Of this total charge of £194 million (2007: £165 million), £82 million (2007: £83 million) was redundancy related, £13 million (2007: £19 million) related to external consulting costs and £45 million (2007: £24 million) 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
BIMA	**21**	60
Europe	**63**	18
Americas	**18**	33
Asia Pacific	**32**	8
Central	**60**	46
	194	**165**

5. Non-trading items

	2008 £m	Re-presented 2007 £m
Net (loss)/profit on disposal of subsidiaries and brands	**(6)**	17
Profit on sale of investments	**3**	–
Profit on disposal of land and buildings	**4**	–
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
	1	**2**

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.

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 relates to the £38 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.

6. Profit from operations

Profit from operations for continuing operations is after charging:

	2008 £m	Re-presented 2007 £m
Research and product development	**69**	59
Depreciation of property, plant and equipment – owned assets	**151**	127
– under finance leases	**10**	11
Amortisation of definite life acquisition intangibles	**4**	5
Impairment of goodwill	**–**	13
Amortisation of software intangibles	**31**	30
Maintenance and repairs	**78**	60
Advertising and promotional marketing	**584**	487
Impairment of trade receivables	**12**	5

There were net foreign exchange gains of £nil recognised within profit from operations in 2008 (2007: £6 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	2007 Continuing £m	2007 Discontinued £m	2007 Total £m
Audit services						
– for the audit of the Company's annual accounts	**1.0**	**–**	**1.0**	1.0	–	1.0
– for the audit of the Company's subsidiaries	**3.7**	**0.2**	**3.9**	3.3	1.7	5.0
Total audit fees	**4.7**	**0.2**	**4.9**	4.3	1.7	6.0
Other services pursuant to legislation	**0.2**	**1.4**	**1.6**	0.3	2.6	2.9
Tax services	**0.2**	**–**	**0.2**	0.3	–	0.3
Corporate finance services	**–**	**0.4**	**0.4**	–	0.4	0.4
Other services	**0.8**	**–**	**0.8**	0.2	–	0.2
Total non-audit fees	**1.2**	**1.8**	**3.0**	0.8	3.0	3.8
Auditors' remuneration	**5.9**	**2.0**	**7.9**	5.1	4.7	9.8

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.

The policy for approval of non-audit fees is set out on page 62.

7. Employees and emoluments

	2008 £m	Re-presented 2007 £m
Emoluments of employees, including Directors, comprised:		
Wages and salaries	**893**	830
Social security costs	**111**	103
Post-retirement benefit costs (see Note 25)	**64**	80
Share-based payments (see Note 26)	**35**	41
Continuing operations	**1,103**	**1,054**

	2008	Re-presented 2007
Average employee headcount:		
BIMA	**11,478**	14,041
Europe	**9,603**	9,099
Americas	**14,168**	14,484
Asia Pacific	**10,547**	12,036
Central	**721**	805
Continuing operations	**46,517**	**50,465**

Emoluments of employees including Directors, of discontinued operations totalled £260 million (2007: £582 million), giving a total for the Group of £1,363 million (2007: £1,636 million). The average employee headcount of discontinued operations totalled 8,227 (2007: 21,192). Further details of discontinued operations are given in Note 31(b).

The Company had no employees in the year.

8. Directors' remuneration

The information required by the Companies Act 1985 and the Listing Rules of the Financial Services Authority is contained on pages 66 to 77 in the Directors' Remuneration Report.

9. Investment revenue

	2008 £m	Re-presented 2007 £m
Interest on loans and receivables		
Interest on bank deposits	**25**	26
Post retirement employee benefits	**27**	30
Investment revenue	**52**	**56**

10. Financing costs

	2008 £m	Re-presented 2007 £m
Finance gain on held for trading assets and liabilities		
Net gain arising on derivatives (held for trading) not in a designated hedge relationship	**(94)**	(19)
Interest on other liabilities		
Bank and other loans	**112**	55
Commercial paper	**29**	52
Other interest		
Interest on unwind of discounts on provisions	**3**	–
Financing costs	**50**	**88**

Total interest on financial instruments that are not recognised at fair value through the income statement was £134 million (2007: £99 million).

An analysis of finance costs for discontinued operations is given in Note 31(d).

11. Taxation

Analysis of charge in period	2008 £m	Re-presented 2007 £m
Current tax – continuing operations:		
– UK	–	–
– Overseas	**(240)**	(99)
– Adjustment in respect of prior years	**(3)**	34
	(243)	(65)
Deferred tax – continuing operations:		
– UK	**(12)**	(5)
– Overseas	**192**	(42)
– Adjustment in respect of prior years	**33**	7
	213	(40)
Taxation – continuing operations	**(30)**	**(105)**

UK current tax is calculated at 28.5% (2007: 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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) was recognised directly in equity. Deferred tax carried forward in the UK is calculated at 28% (2007: 28%).

The charge for the year can be reconciled to the profit per the income statement as follows:

	2008 %	Re-presented 2007 %
Tax at the UK corporation rate	**28.5**	30.0
Tax effects of:		
Expenses not deductible in determining taxable profit	**6.0**	12.5
Income not taxable	**(6.3)**	(10.2)
Prior period adjustments	**(7.5)**	(16.2)
Different tax rates of subsidiaries operating in different jurisdictions	**3.7**	6.8
Transactions undertaken in preparation of the demerger of the Americas Beverages business[1]	**(16.8)**	2.1
Other	**0.6**	17.1
Share of results of associates	**(0.7)**	(0.8)
Effective tax rate for the year	**7.5**	**41.3**

[1] 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
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the prior year of 10.5p (2007: 9.9p) per share	**222**	207
Interim dividend for the year of 5.3p (2007: 5.0p) per share	**73**	104
	295	**311**

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

(a) Basic EPS – Continuing and Discontinued

An explanation of the reconciling items between reported and underlying performance measures is included 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	Re-presented Earnings 2007 £m	Re-presented EPS 2007 pence
Reported – continuing and discontinued	**364**	**22.6**	**405**	**19.4**
Restructuring costs[1]	**203**	**12.6**	200	9.6
Amortisation and impairment of acquisition intangibles	**12**	**0.7**	42	2.0
Non-trading items	**(2)**	**(0.1)**	(2)	(0.1)
Contract termination gain	**–**	**–**	(31)	(1.5)
Demerger/disposal costs	**122**	**7.5**	40	1.9
IAS 39 adjustment	**(46)**	**(2.8)**	(4)	(0.2)
Effect of tax on above items[2]	**(168)**	**(10.4)**	(20)	(0.9)
Underlying – continuing and discontinued	**485**	**30.1**	**630**	**30.2**

[1] Restructuring costs are made up of £194 million (2007: £165 million) for continuing operations, £6 million (2007: £35 million) for discontinued operations and £3 million (2007: £nil) relating to the unwind of discounts on provisions recognised within financing costs.

[2] Effect of tax on above items includes a £39 million credit (2007: £21 million charge) relating to certain reorganisations carried out in preparation for the demerger of the Americas Beverages business, and a £44 million credit (2007: £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.

(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
Diluted reported – continuing and discontinued	**22.6**	19.2
Diluted underlying – continuing and discontinued	**30.0**	29.9

A reconciliation between the shares used in calculating basic and diluted EPS is as follows:

	2008 million	2007 million
Average shares used in Basic EPS calculation	**1,611**	2,087
Dilutive share options outstanding	**3**	21
Shares used in diluted EPS calculation	**1,614**	**2,108**

Share options not included in the diluted EPS calculation because they were non-dilutive in the period totalled 3 million (2007: nil), 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
Reported – continuing operations	**368**	**22.8**	**147**	**7.0**
Restructuring costs[1]	**197**	**12.2**	165	7.9
Amortisation and impairment of acquisition intangibles	**4**	**0.2**	18	0.9
Non-trading items	**(1)**	**–**	(2)	(0.1)
IAS 39 adjustment	**(41)**	**(2.5)**	(5)	(0.2)
Effect of tax on above items[2]	**(126)**	**(7.8)**	(16)	(0.8)
Underlying – continuing operations	**401**	**24.9**	**307**	**14.7**

[1] Restructuring costs are made up of £194 million (2007: £165 million) for continuing operations and £3 million (2007: £nil) relating to the unwind of discounts on provisions recognised within financing costs.

[2] Effect of tax on above items includes a £68 million credit (2007: £6 million charge) 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	Re-presented 2007 pence
Diluted reported – continuing operations	**22.8**	7.0
Diluted underlying – continuing operations	**24.8**	14.6

EPS information for discontinued operations is presented in Note 31(g).

14. Goodwill

(i) Group

	£m
Cost	
At 1 January 2007	2,502
Exchange differences	78
Recognised on acquisition of subsidiaries	257
Transferred to asset held for sale	(1)
Derecognised on disposal	(3)
At 31 December 2007	**2,833**
Exchange differences	381
Fair value adjustments on acquisition of subsidiaries	(8)
Transferred to asset held for sale	(19)
Demerger of Americas Beverages (see Note 31)	(871)
At 31 December 2008	**2,316**
Impairment	
At 1 January 2007	**(15)**
Impairment charge in the year	(13)
At 31 December 2007	**(28)**
Impairment charge in the year	–
At 31 December 2008	**(28)**
Net book value at 31 December 2007	**2,805**
Net book value at 31 December 2008	**2,288**

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.

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 and Canadian confectionery	2.4%	8.5%	13.8%	1,001	780
Northern Latin America confectionery	4.1%	13.3%	18.5%	273	254
Turkey	5.3%	15.3%[2]	19.1%	270	269
Other[1]	1.1%–10.4%	8%–21%	10%–32.3%	744	636
				2,288	**2,805**

[1] Other represents the other 15 continuing CGUs which are not individually significant to the Group.
[2] 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 demerger. The US and 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.

(ii) Company
The Company has no goodwill.

15. Other intangible assets
(i) Group

	Brand intangibles £m	Franchise intangibles and customer relationships £m	Total acquisition intangibles £m	Software £m
Cost				
At 1 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)
At 31 December 2007	**3,048**	**398**	**3,446**	**264**
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)
Transfers to assets held for sale	–	–	–	(52)
At 31 December 2008	**1,624**	**–**	**1,624**	**123**
Amortisation				
At 1 January 2007	(22)	(17)	(39)	(75)
Exchange differences	–	–	–	(2)
Charge for the year	(8)	(21)	(29)	(38)
At 31 December 2007	**(30)**	**(38)**	**(68)**	**(115)**
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
At 31 December 2008	**(26)**	**–**	**(26)**	**(36)**
Carrying amount				
At 31 December 2007	**3,018**	**360**	**3,378**	**149**
At 31 December 2008	**1,598**	**–**	**1,598**	**87**

15. Other intangible assets continued

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. 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
Acquisition intangibles							
– Confectionery							
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
– Beverages							
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[1]		1.1–7.2%	8.0–17.5%	10.9–24.2%	**749**	1,027	
					1,598	**3,378**	

[1] Other represents the other brands which are not individually significant to the Group.

(ii) Company

The Company has no other intangible assets.

16. Property, plant and equipment

(i) Group

(a) Analysis of movements

	Land and buildings £m	Plant and equipment £m	Assets in course of construction £m	Total £m
Cost				
At 1 January 2007	648	2,251	235	3,134
Exchange rate adjustments	31	99	21	151
Additions	9	62	322	393
Additions on acquisition 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)
At 31 December 2007	**732**	**2,578**	**283**	**3,593**
Exchange rate adjustments	74	256	45	375
Additions	7	51	417	475
Finalisation of fair value of 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)
At 31 December 2008	**646**	**2,390**	**294**	**3,330**
Accumulated depreciation				
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
At 31 December 2007	**(151)**	**(1,538)**	**–**	**(1,689)**
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
At 31 December 2008	**(138)**	**(1,431)**	**–**	**(1,569)**
Carrying amount				
At 31 December 2007	581	1,040	283	1,904
At 31 December 2008	**508**	**959**	**294**	**1,761**

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)
	22	**34**

16. Property, plant and equipment continued

(c) Analysis of land and buildings

	2008 £m	2007 £m
Analysis of net book value		
Freehold	**484**	531
Long leasehold	**14**	19
Short leasehold	**10**	31
	508	**581**

(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).

(ii) Company

The Company has no Property, Plant or Equipment and no capital commitments.

17. Investments in subsidiaries and associates

(i) Group – Investments in associates

(a) Analysis of components

	2008 £m	2007 £m
Shares in associated undertakings		
– Unlisted	**28**	32
Total net book value of associates	**28**	32

Details of the principal associated undertakings are set out in Note 35.

(b) Analysis of movements in associated undertakings

	£m
Cost/carrying value at 1 January 2007	19
Exchange rate adjustments	(1)
Additions	10
Cost/carrying value at 31 December 2007	**28**
Exchange rate adjustments	2
Demerger of Americas Beverages	(7)
Cost/carrying value at 31 December 2008	**23**
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)
Share of equity at 31 December 2007	**4**
Share of profit from operations	14
Share of interest	2
Share of taxation	(5)
Dividends received	(10)
Share of equity at 31 December 2008	**5**
Net book value at 31 December 2007	32
Net book value at 31 December 2008	**28**

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)

(ii) Company – Investment in Subsidiaries

	2008 £m
Cost	
At 7 February 2008	–
Additions	12,145
Dividend in specie received	4,372
Impairment of investment	(4,372)
Recovery of cost of investment	(33)
Demerger of Americas Beverages	(4,372)
Capital contributions in respect of share-based payments	22
At 31 December 2008	7,762

The additions arose when Cadbury plc was inserted into the Group via a Scheme of Arrangement as the Group's new listed parent company. Under the terms of the scheme Cadbury Schweppes plc ordinary shares were replaced with Cadbury plc ordinary and beverage shares. The investment in Cadbury Schweppes plc (now renamed Cadbury Holdings Limited) was initially recorded at cost, measured at the fair value of Cadbury Schweppes plc when it was delisted on 1 May 2008.

The £4,372 million dividend received relates to a dividend in specie of the investment in the Americas Beverages business, Cadbury Schweppes Americas Inc, received from Cadbury Holdings Limited. Cadbury plc's cost of investment in Cadbury Holdings Limited was impaired on receipt of the dividend in specie. In addition, a dividend in specie received relating to £33 million of software assets has been recorded as a recovery of the cost of investment.

On 7 May 2008 the Company completed the demerger of the Americas Beverages business and the investment in Cadbury Schweppes Americas Inc was distributed, as a dividend in specie, to the beverage shareholders of the company.

18. Investments

(i) Group

	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.

(ii) Company
The Company had no available for sale investments at 31 December 2008.

19. Inventories

(i) Group

	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).

(ii) Company
The Company held no inventory at 31 December 2008.

20. Trade and other receivables

(i) Group

	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.

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)	–
Transfers to assets held for sale	(1)	–
Balance at end of year	46	45

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)
	789	952
Of which:		
Not overdue	657	748
Past due less than three months	123	177
Past due more than three months	9	27
	789	952

(ii) Company

The Company has trade and other receivables totalling £210 million at 31 December 2008 relating to amounts due from subsidiary undertakings.

21. Assets held for sale

(i) Group

	2008 £m	2007 £m
At the beginning of the year	71	22
Additions	270	71
Disposals	(71)	(22)
At the end of the year	**270**	**71**

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.

(ii) Company

The Company had no assets held for sale at 31 December 2008.

22. Trade and other payables

(i) Group

	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
	1,551	**61**	**1,701**	**37**

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.

(ii) Company

The Company has trade and other payables totalling £65 million at 31 December 2008 relating to amounts owed to subsidiary undertakings.

23. Provisions

(i) Group

	Restructuring provisions £m	Acquisition, demerger and disposal £m	Contractual legal and other £m	Total £m
At 1 January 2007	66	5	2	73
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)
At 31 December 2007	**152**	**4**	**16**	**172**
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)
Transfers 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)
At 31 December 2008	**136**	**154**	**78**	**368**

	2008 £m	2007 £m
Amount due for settlement within 12 months	**150**	111
Amount due for settlement after 12 months	**218**	61
	368	**172**

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.

(ii) Company

The Company has no provisions at 31 December 2008.

24. Deferred taxation

(i) Group

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
At 1 January 2007	85	997	(39)	(44)	(119)	880
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
At 31 December 2007	**115**	**1,101**	**32**	**(50)**	**(177)**	**1,021**
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
At 31 December 2008	**42**	**195**	**(63)**	**(117)**	**(117)**	**(60)**

'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
	(60)	**1,021**

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.

(ii) Company

The Company has no deferred taxation at 31 December 2008.

25. Retirement benefit obligations

(i) Group

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 guidance 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
UK defined benefit schemes	**30**	45
Overseas defined benefit schemes	**18**	21
Overseas defined contribution schemes	**16**	14
Total	**64**	**80**

Of the charge for the year, in respect of defined benefit schemes, recorded within profit from operations, £29 million (2007: £33 million) has been included in cost of sales and £19 million (2007: £33 million) has been included in Administrative expenses. Expected return on assets net of unwind of discount of £27 million (2007: £30 million) has been recorded in Investment revenue from continuing operations and £1 million charge (2007: £1 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) 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). Of the charge in respect of discontinued operations, £4 million (2007: £9 million) relates to defined benefit schemes.

Main financial assumptions as at year end:

	2008 % UK schemes	**2008 % Overseas schemes**	2007 % UK schemes	2007 % 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[1]	**2.80**	**2.15**	3.25	2.15
Rate of increase for deferred pensioners[1]	**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

[1] 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.

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 age 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)
Recognised in the balance sheet – asset			**17**	**–**	**–**	**17**
Recognised in the balance sheet – obligation			**(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)
Recognised in the balance sheet – asset			**217**	**6**	**–**	**223**
Recognised in the balance sheet – obligation			**(11)**	**(95)**	**(37)**	**(143)**

25. Retirement benefit obligations continued

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)
Curtailment 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
Closing defined benefit obligation	**(2,527)**	**(2,665)**

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)
Closing fair value of scheme assets	**2,269**	**2,745**

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
(Deficit)/surplus	**(258)**	**80**	**(204)**	**(369)**	**(485)**
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

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%	**42%**	49%	52%
Debt	50%	**52%**	42%	37%
Property	6%	**6%**	8%	10%
Other	–	**–**	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.

(ii) Company

The Company has no retirement benefit obligations.

26. Share-based payments

(i) Group

The continuing Group recognised an expense of £35 million (2007: £41 million) related to equity-settled share-based payment transactions during the year and an amount of £2 million (2007: £8 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) has been recognised in the primary segments as follows:

	2008 £m	2007 £m
BIMA	**6**	5
Europe	**2**	2
Americas	**6**	6
Asia Pacific	**2**	3
Central	**19**	25
	35	**41**

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 the Directors' Remuneration Report on pages 70 to 72. 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%[1]**	**92.8%**	**89.9–99.1%**	**19.8%–28.4%**
Possibility of ceasing employment before vesting	**–**	**–**	**–**	**10%–49%**
Expectation of meeting performance criteria	**70%**	**70%**	**100%**	**n/a**

[1] Fair value of BSRP includes 100% of the matching shares available.

[2] For more details on the BSRP awards refer to pages 70 to 71 of the Directors' Remuneration Report.

	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%[1]	92.8% UEPS	91.8%–99.3%	24.0%–36.3%
		45.1% TSR		
Possibility of ceasing employment before vesting	–	–	–	10%–41%
Expectations of meeting performance criteria	40%	70%	100%	n/a

[1] Fair value of BSRP includes 100% of the matching shares available.

Expected volatility was determined by calculating the historical volatility of the Group'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).

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).

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).

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).

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 01/05/2008	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[1]	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	–	–

[1] 3,627 options which had been cancelled were subsequently re-instated during this period, as permitted under the Scheme rules.

26. Share-based payments continued

Options in Cadbury plc

	Balance outstanding at 02/05/2008[1]	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[2]	17,294[3]	338,011[4]	377,096[5]	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[6]	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[6]	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[6]	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[7]	–	5,644[8]	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	–	–

[1] 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 68. Any variances may occur as a result of roundings on individual participants' accounts.

[2] 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.

[3] 17,294 options which had been cancelled were subsequently re-instated during this period, as permitted under the Scheme rules.

[4] 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.

[5] 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.

[6] Options which had been cancelled were subsequently reinstated during this period in accordance with the rules of each Plan.

[7] 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.

[8] 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.

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.

(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.

26. Share-based payments continued

(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.

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**	**$10.40**
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 plc US Employees Share Option Plan 2005:	$9.67	$8.43	$8.56
Cadbury Schweppes plc 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.

26. Share-based payments continued

(ii) Company

The Company made a capital contribution of £22 million to its subsidiary undertakings in relation to equity-settled share-based payments. The details of the equity-settled share-based payment schemes operated by the Company are described above in the Group note.

27. Borrowings and Financial Instruments

(a) Borrowings

	2008		2007	
	Book value	Fair value	Book value	Fair value
Floating Rate debt				
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
	692	692	2,148	2,148
Fixed Rate Debt				
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
	1,693	1,695	1,566	1,548
	2,385	2,387	3,714	3,696

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 million (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 44. Disclosures relating to treasury risk management policies can be found on page 46.

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.

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 46 to 48 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 cross currency swap borrowing in US dollars and depositing in Japanese Yen, 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.

Currency derivatives

The Group uses currency forwards and swaps to manage the currency profile of its borrowings net of cash and short-term investments. The table below shows the Group's currency profile of borrowings as at 31 December 2008 after taking into consideration currency forwards and swaps.

In the analysis below currency forwards and swaps have a net impact of reducing net debt as defined in page 37 of the financial review by £50 million in 2008 (2007: £25 million).

	2008					
	Sterling	**Euro**	**US dollar bloc**	**Australia/ New Zealand**	**Other**	**Total**
Net borrowings	**1,325**	**(417)**	**1,024**	**237**	**(332)**	**1,837**

	2007					
	Sterling	Euro	US dollar bloc	Australia/ New Zealand	Other	Total
Net borrowings	735	369	2,344	(180)	(74)	3,194

The Group also uses currency forwards, swaps and options based derivatives to manage its transactional exposures arising from its international trade.

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 (2008: 2,500 million of 10p each, 2007: 3,200 million of 12.5p each)	**250**
Allotted, called up and fully paid share capital:	
Ordinary shares (2008: 1,361 million of 10p each, 2007: 2,109 million of 12.5p 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.

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
(i) Group

	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)
At 31 December 2007	**264**	**–**	**1,225**	**90**	**–**	**(139)**	**45**	**2,677**	**4,162**
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 gains 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)**
At 31 December 2008	**136**	**–**	**38**	**–**	**409**	**441**	**–**	**2,498**	**3,522**

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.

28. Capital and reserves continued

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.

(ii) Company

	Share capital £m	Share capital beverages £m	Share premium £m	Demerger reserve £m	Retained earnings £m	Total £m
At 7 February 2008	–	–	–	–	–	–
Shares Issued	6,765	3,805	–	1,575	–	12,145
Capital reduction	(6,630)	(3,805)	–	10,435	–	–
Demerger of Americas Beverages	–	–	–	(4,405)	–	(4,405)
Shares Issued	1	–	38	–	–	39
Dividends paid	–	–	–	–	(73)	(73)
Share Based Payment*	–	–	–	–	22	22
Profit for the period	–	–	–	–	179	179
At 31 December 2008	136	–	38	7,605	128	7,907

*Non-distributable

The demerger of the Americas Beverages business represents the dividend in specie of the Company's investment in Cadbury Schweppes Americas Inc and £33 million of software assets.

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)
Balance at end of year	12	11

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 interests have 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.

	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	**–**
	(11)
Movement in Goodwill	**(8)**
Adjustment to consideration paid net of unaccrued transaction costs	**(19)**

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.

30. Acquisitions continued

	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
	(31)	110	79
Goodwill			257
Investment in associate			10
			346
Cash consideration			339
Transaction costs			13
Cash paid			352
Net cash acquired			(6)
Net cash paid			346

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. 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.

(a) The results of the discontinued operations, which have been included in the consolidated income statement, are as follows:

	2008 Underlying[1] £m	2008 Non-underlying[2] £m	2008 Total £m	Re-presented 2007 Underlying[1] £m	Re-presented 2007 Non-underlying[2] £m	Re-presented 2007 Total £m
Revenue	**1,389**	**–**	**1,389**	**3,272**	**–**	**3,272**
– Americas Beverages	**951**	**–**	**951**	2,878	–	2,878
– Australia Beverages	**438**	**–**	**438**	394	–	394
Trading costs	**(1,203)**	**(8)**	**(1,211)**	(2,695)	(23)	(2,718)
Restructuring costs	**–**	**(6)**	**(6)**	–	(35)	(35)
Contract termination gain[3]	**–**	**–**	**–**	–	31	31
Non-trading items	**–**	**1**	**1**	–	–	–
Profit from operations	**186**	**(13)**	**173**	**577**	**(27)**	**550**
– Americas Beverages	**157**	**(11)**	**146**	553	(27)	526
– Australia Beverages	**29**	**(2)**	**27**	24	–	24
Profit before financing and taxation	**186**	**(13)**	**173**	**577**	**(27)**	**550**
Finance costs	**(32)**	**(13)**	**(45)**	(92)	(2)	(94)
Profit before taxation	**154**	**(26)**	**128**	**485**	**(29)**	**456**
Taxation	**(70)**	**7**	**(63)**	(162)	10	(152)
Demerger and disposal costs	**–**	**(104)**	**(104)**	–	(40)	(40)
Tax on demerger costs	**–**	**35**	**35**	–	(6)	(6)
Net (loss)/profit from discontinued operations	**84**	**(88)**	**(4)**	**323**	**(65)**	**258**

1 Before items described in Note 2 below.

2 Includes restructuring costs, amortisation and impairment of intangibles, contract termination gain, non-trading items, IAS 39 adjustment, demerger costs and any associated tax effect as set out in Note 1(y) to the financial statements.

3 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.

(b) Employees and emoluments

	2008 £m	2007 £m
Emoluments of employees, including Directors, comprised:		
Wages and salaries	**235**	523
Social security costs	**14**	32
Post-retirement benefit costs	**9**	19
Share based payments	**2**	8
	260	**582**

	2008	2007
Average employee headcount:		
Discontinued operations	**8,227**	21,192

(c) Profit from discontinued operations is after charging:

	2008 £m	2007 £m
Research and product development	**4**	9
Depreciation of property, plant and equipment – owned assets	**32**	71
– under finance leases	**1**	2
Amortisation of definite life acquisition intangibles	**8**	24
Amortisation of software intangibles	**7**	10
Maintenance and repairs	**12**	40
Advertising and promotional marketing	**92**	220
Impairment of trade receivables	**3**	6

There were net foreign exchange gains of £1 million recognised within profit from operations in 2008 (2007: £1 million gain).

Auditors' remuneration for discontinued operations is given in Note 6.

(d) Financing costs

	2008 £m	2007 £m
Finance (gain)/loss on held for trading assets and liabilities		
Net (gain)/loss arising on derivatives (held for trading) not in a designated hedge relationship	**(5)**	2
Interest on other liabilities		
Bank and other loans[1]	**49**	91
Post retirement employee benefits	**1**	1
Financing costs	**45**	**94**

[1] Bank and other loans includes £18 million (2007: £nil) of non-underlying costs relating to the demerger of the Americas Beverages business.

(e) Taxation

	2008 £m	2007 £m
Current tax – discontinued operations:		
– Overseas	**(156)**	(145)
– Adjustment in respect of prior year	**(2)**	(10)
	(158)	(155)
Deferred tax – discontinued operations:		
– UK	**8**	25
– Overseas	**123**	(19)
– Adjustment in respect of prior year	**(1)**	(9)
	130	(3)
Taxation from discontinued operations including tax on demerger costs	**(28)**	**(158)**

UK tax is calculated at 28.5% (2007: 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.

31. Discontinued operations continued

(f) Cash flows from discontinued operations included in the consolidated cash flow statement are as follows:

.	2008 £m	2007 £m
Net cash flows from operating activities	33	424
Net cash flows used in investing activities	(240)	(175)
Net cash flows from financing activities	133	–
	(74)	249

(g) Earnings per share from discontinued operations are as follows:

The reconciliation between reported discontinued and underlying discontinued 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
Reported	(4)	(0.2)	258	12.4
Restructuring costs	6	0.4	35	1.7
Amortisation and impairment of acquisition intangibles	8	0.5	24	1.1
Non-trading items	(1)	(0.1)	–	–
Contract termination gain	–	–	(31)	(1.5)
IAS 39 adjustment	(5)	(0.3)	1	–
Demerger and disposal costs[2]	122	7.5	40	1.9
Effect of tax on above items[1]	(42)	(2.6)	(4)	(0.1)
Underlying	84	5.2	323	15.5

[1] Effect of tax on above items includes £29 million charge (2007: £15 million charge) relating to certain reorganisations carried out in preparation for the demerger of the Americas Beverages business, and £44 million credit (2007: £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.

[2] Includes £18 million (2007: £nil) of non-underlying 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
Diluted reported	(0.2)	12.2
Diluted underlying	5.2	15.3

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
Assets		
Non-current assets		
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
	145	3,612
Current assets		
Inventories	29	200
Trade and other receivables	93	339
Cash and cash equivalents	–	115
	122	654
Total assets	267	4,266
Liabilities		
Current liabilities		
Trade and other payables	(97)	(345)
Short term borrowings and overdrafts	–	(910)
Short term provisions	–	(10)
	(97)	(1,265)
Non-current liabilities		
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)
	–	(1,904)
Total liabilities	(97)	(3,169)
Net assets	170	1,097

In addition, property, plant and equipment totalling £3 million were classified as assets held for sale at 31 December 2008.

32. Leasing commitments

(i) Group

(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
	2	36	**2**	32
Less future finance charges	**–**	(4)		
Present value of lease obligations	**2**	32		
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
Within one year	**44**	35
Between one and five years	**140**	104
After five years	**94**	98
	278	**237**

	2008 £m	Re-presented 2007 £m
Operating lease expenses charged in the income statement	**45**	**53**

(ii) Company

The Company has no lease commitments or operating leases.

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.

(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

(i) Group

	2008 £m	Re-presented 2007 £m
Profit from operations		
– Continuing operations	**388**	278
– Discontinued operations	**173**	550
	561	**828**
Adjustments for:		
Depreciation, amortisation and impairment	**244**	290
Restructuring	**71**	82
Non-trading items	**(2)**	(2)
Post-retirement benefits	**(3)**	5
Additional funding of past service pensions deficit	**(30)**	(48)
Share compensation taken to reseves	**31**	29
IAS 39 adjustments	**53**	14
Other non-cash items	**3**	14
Operating cash flows before movements in working capital	**928**	**1,212**
Increase in inventories	**(32)**	(61)
(Increase)/decrease in receivables	**(40)**	77
Increase in payables	**2**	3
Net movement in working capital	**(70)**	19
	858	**1,231**
Interest paid	**(165)**	(193)
Interest received	**26**	21
Demerger financing costs	**(53)**	–
Income taxes paid – excluding disposals	**(153)**	(235)
Income taxes paid – disposals	**(44)**	(12)
Net cash inflow from operating activities	**469**	**812**

(ii) Company

	2008 £m
Profit after tax	**179**
Adjustments for:	
Other non-cash	**(179)**
Net cash inflow from operating activities	**–**

35. Group companies

	Activities	Country of incorporation and operation	Proportion of issued share capital held if not 100%
Details of principal associated undertakings			
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%

Details of principal subsidiary undertakings			
Operating companies (unless otherwise stated)			
United Kingdom:			
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	
Europe:			
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%
Americas:			
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	

	Activities	Country of incorporation and operation	Proportion of issued share capital held if not 100%
Other overseas:			
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	

Finance and holding companies:			
Alreford 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.

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	**2008 £m**	2007 £m
Meito Adams	**7**	4	**41**	40

	Amounts owed by related parties		Amounts owed to related parties	
	2008 £m	2007 £m	**2008 £m**	2007 £m
Meito Adams	**–**	1	**–**	3

Remuneration of key management personnel

Key management of the Group are the Executive Directors and the Chief Executive's Committee (see page 64 for details). Short term employee benefits expense relating to these individuals was £9 million (2007: £11 million), post retirement benefits expense was £3 million (2007: £2 million), termination benefits expense was £6 million (2007: £2 million) and share-based payments expense was £8 million (2007: £8 million).

37. Foreign currency translation

The principal exchange rates used for translation purposes were as follows (£1=):

	Average 2008	Average 2007	**Closing 2008**	Closing 2007
US dollar	**1.85**	2.00	**1.46**	1.99
Canadian dollar	**1.96**	2.15	**1.78**	1.98
Australian dollar	**2.20**	2.39	**2.12**	2.27
Euro	**1.26**	1.46	**1.05**	1.36
South African rand	**15.23**	14.1	**13.72**	13.6
Mexican peso	**20.48**	21.8	**20.15**	21.7

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 or 28 February 2010.

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.

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, 'non-owner 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.

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.

40. Approval of financial statements

The financial statements were approved by the Board of Directors and authorised for issue on 24 February 2009.

shareholder information

Items covered in this section:

Your shareholding

The Company's share register is maintained by Computershare Investor Services PLC. Queries regarding your shareholding should be directed as follows:

> **For the UK and Europe:**
The Registrar to Cadbury plc
Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZY
United Kingdom
Telephone: +44 (0) 870 873 5803
Fax: +44 (0) 870 703 6103

The cost of a call from a BT landline is 6.7 pence per minute. Call charges from other telephony providers may vary.

> **For the Americas*:**
The Registrar to Cadbury plc
Computershare Investor Services LLC
2 North LaSalle Street
Chicago
Illinois 60602
US
Telephone: +1 888 728 8741 (From 8.00 a.m. to 5.00 p.m. CST)

> **For Asia Pacific*:**
The Registrar to Cadbury plc
Computershare Limited
Yarra Falls
452 Johnston Street
Abbotsford
Vic. 3067
Australia
Telephone: 1 800 011 188; or
Telephone: +61 (1) 3 9415 4161 from outside Australia

*Correspondence sent to these addresses will be forwarded to the UK for processing.

> **Global e-mail address**
web.queries@computershare.com

> **Global web address**
www.computershare.com

Please contact the Registrar in relation to the following enquiries:

> change of name or address details;
> loss of share certificates;
> details of current holdings;
> share transfers;
> lost or out of date dividend cheques; or
> death of registered holders.

> **Amalgamating different share accounts**
Shareholders with more than one account, arising from inconsistencies in name or address details, may avoid receipt of duplicate mailings by asking the Registrar to amalgamate their holdings.

Please visit the Computershare Investor Centre at https://www-uk.computershare.com/Investor for the following services:

> **Receive dividends directly into UK bank accounts**
Dividends payments can be paid directly into a UK bank account through BACS, with the tax voucher sent directly to the shareholder's registered address.

Please note that you will need your Shareholder Reference Number, which can be found on your Cadbury plc share certificate or on your dividend tax voucher.

Alternatively, please contact the Registrar for a dividend mandate form to be sent to you.

> **Receive dividends in foreign currencies**
The Registrar is now able to pay dividends in the local currency of over 100 overseas jurisdictions via the Global Payments Service (GPS). An administrative fee of £5.00 is deducted from each dividend payment for this service. For further details of GPS, or to register online, please visit the Computershare Investor Centre.

Please note that you will need the following information to hand:

- Your bank reference number (BIC code) – this is shown on your bank statement;
- Your International Bank Account Number (IBAN) – this is shown on your bank statement;
- Your full name, as stated on your bank statement; and
- Your Shareholder Reference Number (SRN) – this can be found on your Cadbury plc share certificate or your dividend tax voucher.

Alternatively, please contact the Registrar to request a form and the Terms and Conditions.

> **Participate in the Dividend Reinvestment Plan**
Cadbury plc offers a Dividend Reinvestment Plan (DRIP), which enables shareholders to use the whole of their cash dividends to buy ordinary shares in the Company in the market at low cost, subject to Terms and Conditions. To apply for the DRIP, please visit the Computershare Investor Centre or obtain the Terms and Conditions, as well as a mandate form, from the Registrar.

> **Print out Dividend Tax Vouchers**
You can now access and print out dividend tax vouchers for past Cadbury plc dividend payments.

> **Sign up for electronic communications (e-comms)**
The Articles of Association of Cadbury plc permit the use of the Company's website to be used to communicate with shareholders.

Shareholders who communicate electronically with the Company can either:

- Receive e-mail notification that documents are available on the website – shareholders must provide an e-mail address if they select this option; or
- Receive notification by post that documents are available on the website.

Electing for e-comms not only saves costs, but also reduces the Company's impact on the environment.

Top 10 registered shareholdings by jurisdiction as at 31 December 2008

Issued Share Capital (ISC)
as at 31 December 2008: 1,360,771,906

	Units	Holders	Percentage of ISC
Great Britain	1,090,086,194	44,736	80.10%
US	247,850,170	276	18.21%
Netherlands	7,650,403	48	0.56%
France	5,545,550	181	0.41%
Australia	5,360,756	2,925	0.39%
Ireland	2,826,613	2,846	0.21%
New Zealand	334,813	412	0.02%
Singapore	262,279	27	0.02%
Canada	148,717	95	0.01%
Spain	142,574	144	0.01%

Financial calendar and key dates in 2009

Announcement of results for 2008	25 February 2009
2008 Final dividend:	
– Ex dividend date	22 April 2009
– Record date	24 April 2009
– Last date for changes to DRIP mandates to reach Registrar	30 April 2009
– Last date for changes to bank/GPS mandates to reach Registrar	4 May 2009
– Payment date	22 May 2009
*Trading update – Quarter 1	30 April 2009
Annual General Meeting	14 May 2009
*Trading update – Half year update	18 June 2009
Announcement of Half year results for 2009	29 July 2009
2009 Provisional interim dividend:	
– Ex dividend date	16 September 2009
– Record date	18 September 2009
– Last date for changes to DRIP mandates to reach Registrar	25 September 2009
– Last date for changes to bank/GPS mandates to reach Registrar	29 September 2009
– Payment date	16 October 2009
*Trading update – Quarter 3	26 October 2009
*Trading update – Full year update	15 December 2009

* These are provisional dates and may be subject to change

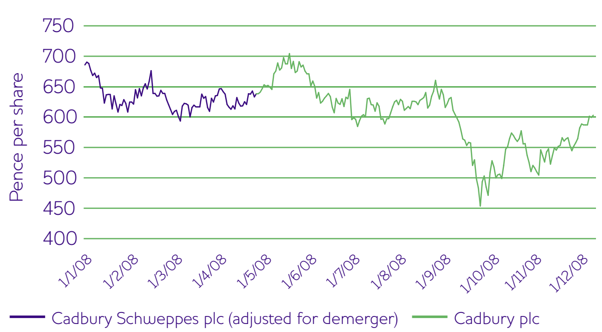
Dividends and Annual General Meeting (AGM)
The interim dividend for 2008 of 5.3p per ordinary share was paid on 17 October 2008. For those shareholders who participated in the DRIP for the interim dividend, 10p ordinary shares in Cadbury plc were purchased on 17 October 2008 at £4.96.

The final dividend for 2008 of 11.1p per ordinary share was announced by the Directors on 25 February 2009 and, subject to approval at the AGM, will be paid on 22 May 2009 to ordinary shareholders on the register at the close of business on 24 April 2009. The final dividend will be paid on 22 May 2009 to ADR holders on the ADR register at 24 April 2009.

For information on historic dividends and share prices please visit the Cadbury Investor Centre at:

http://www.cadburyinvestors.com/cadbury_ir/share_price

Share Price Performance 2008



Share dealing service
Stocktrade offer non-US resident shareholders in Cadbury plc an execution-only telephone share dealing service. The commission for this service is charged at 0.5% with a minimum charge of £15. Please note that UK share purchases will be subject to 0.5% stamp duty. There will also be a PTM (Panel on Takeovers & Mergers) levy of £1 for single trades in excess of £10,000 – this applies to both sales and purchases.

To use this service please telephone +44 (0) 845 402 3026 between the hours of 8.00 a.m. and 4.30 p.m. (UK time), Monday to Friday, quoting Low Co204. For details of the service available to US resident shareholders, please contact the Group Secretariat department at the Company's registered office on +44 (0) 1895 615000, or email group.secretariat@csplc.com.

Full terms and conditions and information about the postal and internet share dealing services are available at:

www.stocktrade.co.uk/cadbury

ShareGift
Shareholders with a small number of shares, the value of which makes it uneconomical to sell them, may wish to consider donating them to charity through ShareGift, a registered charity (number 1052686) administered by The Orr Mackintosh Foundation. The relevant share transfer form can be obtained from the Registrar. For further information about ShareGift, please contact:

ShareGift
17 Carlton House Terrace
London
SW1Y 5AH
United Kingdom
Telephone: +44 (0) 20 7930 3737
www.sharegift.org

Shareholder fraud – tips on protecting your shareholding
To reduce the risk of fraud happening to you please consider the following:
> Ensure all your share certificates and dividend tax vouchers are kept in a safe place, or consider holding your shares electronically in CREST via a nominee.
> Keep all correspondence from the Registrars which contains your shareholder reference number (SRN) in a safe place. Destroy all correspondence showing your personal details by shredding.
> If you change your address inform the Registrars. If you receive a letter from the Registrars regarding a change of address and have not recently moved house, please contact them immediately. You may be a victim of identity theft.
> Know when the dividends are paid. Consider having your dividend paid directly into your bank or building society account, reducing the risk of cheques being intercepted or lost in the post. If you change your bank or building society account, inform the Registrar of the details of your new account immediately. Respond to any letters the Registrar sends you about this.

If you have any reason to believe that you may have been the target of a fraud, or attempted fraud, please contact the Registrar immediately.

Share Scams (Boiler Room Scams)
Over the last year, many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters. These are typically from overseas based 'brokers' who target UK shareholders, offering to sell them what often turn out to be worthless or high risk shares in US or UK investments. These operations are commonly known as 'boiler rooms'. These 'brokers' can be very persistent and extremely persuasive, and a 2006 survey by the Financial Services Authority (FSA) has reported that the average amount lost by investors is around £20,000.

It is not just the novice investor that has been duped in this way: many of the victims had been successfully investing for several years. Shareholders are advised to be very wary of any unsolicited advice, offers to buy shares at a discount or offers of free company reports. If you receive any unsolicited investment advice:
> Make sure you get the correct name of the person and organisation;
> Check that they are properly authorised by the FSA before getting involved by visiting www.fsa.gov.uk/register;
> Report the matter to the FSA either by calling 0845 606 1234 or visiting www.moneymadeclear.fsa.gov.uk; and
> If the calls persist, hang up.

If you deal with an unauthorised firm, you will not be eligible to receive payment under the Financial Services Compensation Scheme. The FSA can be contacted by completing an online form at www.fsa.gov.uk/pages/doing/regulated/law/alerts/overseas.shtml.

Details of any share dealing facilities that the Company endorses will be included in Company mailings.

More detailed information on this or similar activity can be found on the FSA website www.moneymadeclear.fsa.gov.uk.

Unsolicited mail
The Company is legally obliged to make its share register available to the general public. Consequently some shareholders may receive unsolicited mail, including correspondence from unauthorised investment firms. If you wish to limit the amount of unsolicited mail you receive please contact:

The Mailing Preference Service
MPS Freepost LON20771
London
W1E 0ZT

American Depositary Receipts
Cadbury ordinary shares are quoted on the New York Stock Exchange in the form of American Depositary Shares, or ADSs. ADSs are represented by American Depositary Receipts, or ADRs, under a sponsored ADR facility with JPMorgan Chase Bank N.A. as depositary. Each ADS represents four ordinary shares.

The ADR Depositary is JPMorgan Chase Bank N.A. – any enquiries should be directed to:

JP Morgan Chase Bank N.A.
PO Box 64504
St Paul
MN 55164-0504
Minnesota
US
Telephone: +1 800 990 1135 (US only); or
Telephone: +1 651 453 2128 (from outside the US)

> **Global e-mail address**
> jpmorgan.adr@wellsfargo.com

> **Global web address**
> www.adr.com

Global Invest Direct
Global Invest Direct (GID) is a program established by JPMorgan Chase Bank N.A. to provide a convenient and economical way for investors to increase their ADR investment in the Company.

Further information about GID may be obtained from JPMorgan Chase Bank N.A., either at the address as shown above, or by calling:
Telephone: +1 800 428 4237 (US only); or
Telephone: +1 651 453 2128 (from outside the US)

SEC filings
In accordance with US legislation, the Company will file a Form 20-F with the Securities and Exchange Commission (SEC) in Washington D.C. A copy of this Report and Accounts will be filed with the SEC as an exhibit to a Form 6-K. This report is available for public inspection and a copy of the document is available on the Company website. If you wish to receive a hard copy of this Report, please contact Group Secretariat at the Company's registered office.

Demerger of the Americas Beverages Business from the Cadbury Group
Cadbury Schweppes plc, the former ultimate parent company of the Cadbury Group, ceased trading on the London and New York Stock Exchanges at close of business on 1 May 2008. As a result of the demerger by means of the Scheme of Arrangement, shareholders who were on the Cadbury Schweppes plc register as at 6.00pm on 1 May 2008 were allotted shares in the two new companies, Cadbury plc and Dr Pepper Snapple Group, Inc (DPSG).

Upon completion of the demerger, for every 100 Cadbury Schweppes plc shares held, shareholders were allotted 64 Cadbury plc ordinary shares and 12 common stock in DPSG. Any certificates you may have for shares in Cadbury Schweppes plc are no longer valid. Any enquiries relating to the Cadbury plc shareholdings should be made to the Registrar of Cadbury plc.

Following the demerger of the Americas Beverages business, Cadbury plc and DPSG are entirely separate companies. Any enquiries relating to DPSG shareholdings must be directed to the Transfer Agent (Registrar) of DPSG:

Computershare Trust Company, N.A.
c/o Computershare, Inc.
250 Royall Street
Canton
MA 02021
US
Telephone: +1 877 745 9312 (US only); or
Telephone: +1 781 575 4033 (from outside the US)

> **Tax basis information**
> Following the completion of the demerger of Cadbury Schweppes plc on 7 May 2008, the tax basis information, which enables a shareholder to determine the tax basis of Cadbury plc ordinary shares or DPSG common stock, is now available on the Cadbury plc website.
>
> Please note that this information is only applicable for shareholders who are resident for tax purposes in either the United Kingdom or the United States of America.
>
> To download the tax basis information document, please visit: www.cadburyinvestors.com/cadbury_ir/shareholder_services/tax_information/tax_info/
>
> Alternatively, please call the Registrar to request a copy of the document to be sent to you by post.

Definitions

ADR
Cadbury American Depositary Shares are quoted on the New York Stock Exchange in the form of American Depositary Receipts ("ADRs"). Each ADR represents 4 ordinary shares in the Cadbury plc. JP Morgan Chase Bank N.A., acts as Cadbury's Depositary Bank for ADRs.

AIP
Annual Incentive Plan – annual plan to incentivise delivery of performance goals for the year

Asia Pacific
Business Unit comprising China, India, Pakistan and South East Asia

Base Business
Business operations before impact attributable to exchange rate movements, acquisitions and disposals and business improvement costs

B&I
Britain and Ireland Business Unit

BIMA
Region comprising Britain, Ireland, Middle-East and Africa

Bn or bn
Billion

bps
Basis Points, each point representing 0.01% – typically used to measure change in margins or market share

BSRP
Bonus Share Retention Plan – long term incentive plan requiring voluntary deferral of AIP with an opportunity to earn additional awards based on service and performance

BU
Business Units, which comprise a number of Country Units. These are the seven commercial units reporting directly to the CEO

Business Segments/Regions
In 2008, our Business segments comprised BIMA, Europe, the Americas and Asia Pacific

Cadbury
The Cadbury Group or Cadbury plc depending on its context

CAGR
Compound Annual Growth Rate

CDM
Cadbury Dairy Milk

CEC
Chief Executive's Committee – the Group's key decision making body comprising the CEO, the heads of each BU and Global Functions, and the Global Category Heads of Gum and Chocolate

Company
For periods prior to 2 May 2008 this term refers to Cadbury Schweppes plc. For periods after 2 May 2008 the term refers to Cadbury plc, the Group's ultimate parent company and listed entity. Cadbury Holdings Limited is the new name for Cadbury Schweppes plc since 2 May 2008

Contract
Annual budget

CSR
Corporate and Social Responsibility

CU
Country Unit e.g. France

DPSG
Dr Pepper Snapple Group, Inc., the parent company of the Americas Beverages business, comprising operations in the United States, Canada, Mexico and the Caribbean together with its manufacturing facilities and marketing and distribution networks, which was demerged in May 2008

EBITDA
Earnings before Interest, Tax, Depreciation and Amortisation

EPS
Earnings per Share – the net profit of the Group attributed to equity shareholders divided by the weighted average number of shares outstanding in the period

Exchange Ratio
Relates to the Scheme of Arrangement and demerger of DPSG, by which 100 shares in Cadbury Schweppes plc were exchanged for 64 shares in Cadbury plc and 12 shares in DPSG

Exceptional and non-underlying items
Certain items which do not reflect the Group's underlying trading performance and due to their significance and one-off nature have been reported outside underlying so as not to distort the performance of the business

FMCG
Fast Moving Consumer Goods

Free Cash Flow
Free Cash Flow is defined as the amount of cash generated by the business after meeting all its obligations for interest, tax and capital investment

GAAP
Generally Accepted Accounting Principles

Global Functions
Category aligned functions (Commercial, Science & Technology and Supply Chain) and Corporate functions (Finance & IT, HR & Corporate Affairs, Legal and Secretariat and Strategy)

Group
For periods prior to 2 May 2008 this terms refers to the group of subsidiary and associated companies headed by Cadbury Schweppes plc. After this date it refers to the group of subsidiary and associated companies headed by Cadbury plc

IASB
International Accounting Standards Board

IFRS
International Financial Reporting Standards as endorsed and adopted for use in the European Union and International Financial Reporting Standards as issued by the International Accounting Standards Board namely the accounting standards we follow when preparing our Financial Statements

LTIP
Long Term Incentive Plan – long term incentive plan focused on long term value creation by measuring improvements in Underlying Earmings Per Share and Return on Invested Capital

M/m
Million

MEA
Business Unit comprising the Middle East and Africa

Net Debt
Net debt is defined as total borrowings after offsetting cash and cash equivalents and short term investments

Operating Margin or Trading Margin
The ratio of profit from operations to revenue

Pacific
Business Unit comprising Australia, New Zealand and Japan

ROIC
Return on Invested Capital, a key performance indicator and part of our performance scorecard

Scheme of Arrangement
Means the Scheme of Arrangement under section 425 of the Companies Act 1985 between the Company and the shareholders by which Cadbury plc was inserted into the Group as the new ultimate parent company and DPSG was demerged

SG&A
Sales, General and Administration, typically used to describe part of our cost base

SKU
Stock keeping unit – a term used in packaged goods to refer to each individual product variant, for example Cadbury Dairy Milk Fruit & Nut

Underlying
That part of the Group's performance which reflects the ongoing trends of the business and excludes the impact of any distortive one-off items

VIA
Vision into Action – strategic plan to achieve mid-teens margins by 2011

WACC
Weighted Average Cost of Capital

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FSC Mixed Sources
Product group from well-managed forests, controlled sources and recycled wood or fiber
www.fsc.org Cert no. SGS-COC-1732
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