UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): February 2, 2010

KRAFT FOODS INC.
(Exact name of registrant as specified in its charter)

Virginia	**1-16483**	**52-2284372**
(State or other jurisdiction of incorporation)	**(Commission File Number)**	**(I.R.S. Employer Identification No.)**

Three Lakes Drive, Northfield, Illinois	**60093-2753**
(Address of Principal executive offices)	**(Zip Code)**

Registrant's Telephone number, including area code: (847) 646-2000

Not Applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 7.01 Regulation FD Disclosure.

This following information shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in that filing.

On February 2, 2010, we announced that our offer to acquire all of the issued and to be issued share capital of Cadbury plc has been declared wholly unconditional. We are furnishing this Form 8-K to provide financial and other relevant information with respect to Cadbury plc ("Cadbury"). Cadbury previously filed this information with the Securities and Exchange Commission ("SEC"), and we are reproducing it, without revisions, in this Form 8-K. As a result, references in the exhibits hereto to the "Company," the "Group," "we," "us," or "our" are references to Cadbury, and its subsidiaries, except as the context otherwise requires. Specifically, this current report on Form 8-K provides: (1) the consent of Deloitte LLP, attached hereto as Exhibit 23.1; (2) Cadbury's restated audited financial statements, and the notes thereto, for the year ended December 31, 2008, filed originally by Cadbury with the SEC on January 29, 2010, attached hereto as Exhibit 99.1; (3) Cadbury's half year results for the six months ended June 30, 2009, filed originally by Cadbury with the SEC on January 29, 2010, attached hereto as Exhibit 99.2; and (4) the risk factors relating to Cadbury's business included in Cadbury's Annual Report on Form 20-F for the year ended December 31, 2008, filed originally by Cadbury with the SEC on March 31, 2009.

Item 9.01. Financial Statements and Exhibits.

(d) List of Exhibits

Exhibit Number	Description
23.1	Consent of Deloitte LLP
99.1	Cadbury's restated audited financial statements, and the notes thereto, for the year ended December 31, 2008 (filed originally on January 29, 2010)
99.2	Cadbury's half year results for the six months ended June 30, 2009 (filed originally on January 29, 2010)
99.3	Risk Factors Relating to Cadbury's Business

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: February 3, 2010

KRAFT FOODS INC.

By:	/S/ CAROL J. WARD
Name:	**Carol J. Ward**
Title:	**Vice President and Corporate Secretary**

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-147829 on Form S-3 and the related prospectus supplement dated February 3, 2010 of our report dated March 26, 2009 (January 29, 2010 as to the retrospective restatements described in Note 1(c) to the consolidated financial statements related to the adoption of the revised IAS 1 Presentation of Financial Statements in 2009, the change in the composition of Cadbury plc's reportable segments implemented in 2009 and the misclassification between cash and cash equivalents and short-term investments), relating to (1) the financial statements of Cadbury plc and its subsidiaries (which expresses an unqualified opinion and includes an explanatory paragraph relating to the restatements discussed in Note 1(c) to the consolidated financial statements) and (2) our report dated March 26, 2009 on the effectiveness of Cadbury plc and its subsidiaries' internal control over financial reporting as at December 31, 2008, appearing in Kraft Foods Inc.'s Current Report on Form 8-K filed with the SEC on February 3, 2010. We also consent to the reference to us under the heading "Experts" in the prospectus supplement dated February 3, 2010, which is part of Registration Statement No. 333-147829.

DELOITTE LLP
Chartered Accountants and Registered Auditors
London, United Kingdom
February 3, 2010

Exhibit 99.1

Financial Statements

Report of Independent Registered Public Accounting Firm	**F-2**
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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders of Cadbury PLC

We have audited the accompanying consolidated balance sheets of Cadbury plc and subsidiaries (the "Company") as of 31 December 2008, 2007 and 2006, and the related consolidated income statements, consolidated statements of recognised income and expense, consolidated statements of changes in equity and consolidated cash flow statements for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Cadbury plc and subsidiaries as of 31 December 2008, 2007 and 2006, and the results of their operations and their cash flows for each of the years then ended, in conformity with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union and IFRS as issued by the International Accounting Standards Board ("IASB").

As discussed in Note 1 to the consolidated financial statements, the accompanying financial statements and the related notes have been retrospectively restated for the adoption of the revised IAS 1 Presentation of Financial Statements in 2009, the change in the composition of the Company's reportable segments implemented in 2009 and the misclassification between cash and cash equivalents and short-term investments.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of 31 December 2008, based on the criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated 26 March 2009 expressed an unqualified opinion on the Company's internal control over financial reporting.

Deloitte LLP
London, England

26 March 2009 (29 January 2010 as to the retrospective restatements described in Note 1(c) to the consolidated financial statements related to the adoption of the revised IAS 1 Presentation of Financial Statements in 2009, the change in the composition of the Company's reportable segments implemented in 2009 and the misclassification between cash and cash equivalents and short-term investments)

Consolidated income statements

Notes		2008 Total £m	Re-presented 2007 Total £m	Re-presented 2006 Total £m
	Continuing operations			
2	**Revenue**	**5,384**	**4,699**	**4,483**
3	Trading costs	**(4,803)**	(4,258)	(4,071)
4	Restructuring costs	**(194)**	(165)	(107)
5	Non-trading items	**1**	2	23
	Profit from operations	**388**	**278**	**328**
17	Share of result in associates	**10**	8	(15)
	Profit before financing and taxation	**398**	**286**	**313**
9	Investment revenue	**52**	56	50
10	Finance costs	**(50)**	(88)	(119)
	Profit before taxation	**400**	**254**	**244**
11	Taxation	**(30)**	(105)	(68)
	Profit for the period from continuing operations	**370**	**149**	**176**
31	**Discontinued operations**[1]			
	(Loss)/profit for the period from discontinued operations	**(4)**	258	989
	Profit for the period	**366**	**407**	**1,165**
	Attributable to:			
	Equity holders of the parent	**364**	**405**	**1,169**
	Minority interests	**2**	2	(4)
		366	**407**	**1,165**
	Earnings per share from continuing and discontinued operations			
13	Basic	**22.6p**	19.4p	56.4p
13	Diluted	**22.6p**	19.2p	55.9p
	From continuing operations			
13	Basic	**22.8p**	7.0p	8.7p
13	Diluted	**22.8p**	7.0p	8.6p

[1] In accordance with IFRS 5, the 2007 and 2006 income statements, statements of recognised income and expense and related notes have been re-presented following the classification of Americas Beverages and Australia Beverages as discontinued operations (see Note 31).

Consolidated statements of recognised income and expense

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
Currency translation differences (net of tax)	**580**	132	(416)
Exchange transferred to income and expense upon disposal	**—**	—	10
Actuarial (loss)/gain on post retirement benefit obligations (net of tax)	**(291)**	168	50
Share of associate reserves movements	**—**	—	(2)
IAS 39 transfers to income or expense	**—**	—	(1)
Net income/(expense) recognised directly in equity	**289**	**300**	**(359)**
Profit for the period from continuing operations	**370**	149	176
(Loss)/profit for the period from discontinued operations	**(4)**	258	989
Total recognised income and expense for the period	**655**	**707**	**806**
Attributable to:			
Equity holders of the parent	**653**	705	810
Minority interests	**2**	2	(4)
	655	**707**	**806**

Consolidated balance sheets

Notes		**Re-presented 2008 £m**	Re-presented 2007 £m	Re-presented 2006 £m
	Assets			
	Non-current assets			
14	Goodwill	**2,288**	2,805	2,487
15	Acquisition intangibles	**1,598**	3,378	3,261
15	Software intangibles	**87**	149	155
16	Property, plant and equipment	**1,761**	1,904	1,664
17	Investment in associates	**28**	32	22
24	Deferred tax assets	**181**	124	170
25	Retirement benefit assets	**17**	223	—
20	Trade and other receivables	**28**	50	54
18	Other investments	**2**	2	2
		5,990	**8,667**	7,815
	Current assets			
19	Inventories	**767**	821	728
	Short-term investments	**108**	79	52
20	Trade and other receivables	**1,067**	1,197	1,186
	Tax recoverable	**35**	41	36
	Cash and cash equivalents	**390**	416	343
27	Derivative financial instruments	**268**	46	51
		2,635	**2,600**	2,396
21	Assets held for sale	**270**	71	22
	Total assets	**8,895**	**11,338**	10,233
	Liabilities			
	Current liabilities			
22	Trade and other payables	**(1,551)**	(1,701)	(1,588)
	Tax payable	**(328)**	(197)	(239)
27	Short-term borrowings and overdrafts	**(1,189)**	(2,562)	(1,439)
23	Short-term provisions	**(150)**	(111)	(55)
32	Obligations under finance leases	**(1)**	(21)	(22)
27	Derivative financial instruments	**(169)**	(22)	(35)
		(3,388)	**(4,614)**	(3,378)
	Non-current liabilities			
22	Trade and other payables	**(61)**	(37)	(30)
27	Borrowings	**(1,194)**	(1,120)	(1,810)
25	Retirement benefit obligations	**(275)**	(143)	(204)
	Tax payable	**(6)**	(16)	(5)
24	Deferred tax liabilities	**(121)**	(1,145)	(1,050)
23	Long-term provisions	**(218)**	(61)	(18)
32	Obligations under finance leases	**(1)**	(11)	(33)
		(1,876)	**(2,533)**	(3,150)
21	Liabilities directly associated with assets classified as held for sale	**(97)**	(18)	(9)
	Total liabilities	**(5,361)**	**(7,165)**	(6,537)
	Net assets	**3,534**	**4,173**	3,696
	Equity			
28	Share capital	**136**	264	262
28	Share premium account	**38**	1,225	1,171
28	Other reserves	**850**	(4)	(128)
28	Retained earnings	**2,498**	2,677	2,383
28	**Equity attributable to equity holders of the parent**	**3,522**	**4,162**	3,688
29	**Minority interests**	**12**	**11**	8
	Total equity	**3,534**	**4,173**	3,696

Consolidated cash flow statements

Notes		Re-presented 2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
34	**Net cash inflow from operating activities**	**469**	**812**	**620**
	Investing activities			
17	Dividends received from associates	**10**	8	6
	Proceeds on disposal of property, plant and equipment	**18**	57	84
	Purchases of property, plant and equipment and software	**(500)**	(409)	(384)
	Americas Beverages separation costs paid	**(107)**	(30)	—
	Americas Beverages net cash and cash equivalents demerged	**(67)**	—	—
30	Acquisitions of businesses and associates	**16**	(352)	(375)
	Net cash assumed on acquisitions	**—**	6	28
	Sale of investments, associates and subsidiary undertakings	**48**	27	1,295
	Cash removed on disposal	**(4)**	(1)	(50)
	Movement in equity investments and money market deposits	**(29)**	**(24)**	(15)
	Net cash (used in)/generated from investing activities	**(615)**	(718)	589
	Financing activities			
	Dividends paid	**(295)**	(311)	(272)
	Dividends paid to minority interests	**—**	(1)	(4)
	Capital element of finance leases repaid	**(21)**	(21)	(21)
	Proceeds on issues of ordinary shares	**58**	56	38
	Net movement of shares held under Employee Trust	**12**	(13)	(4)
	Proceeds of new borrowings	**4,382**	2,026	532
	Borrowings repaid	**(4,167)**	(1,722)	(1,481)
	Net cash (used in)/generated from financing activities	**(31)**	14	(1,212)
	Net (decrease)/increase in cash and cash equivalents	**(177)**	**108**	**(3)**
	Opening net cash and cash equivalents	**372**	260	283
	Effect of foreign exchange rates	**43**	4	(20)
	Closing net cash and cash equivalents	**238**	**372**	**260**

Net cash and cash equivalents includes overdraft balances of £152 million (2007: £44 million, 2006: £83 million). Opening net cash and cash equivalents in 2006 excludes £3 million of cash included in assets held for sale. There are no cash and cash equivalents included in assets held for sale in any other year.

Consolidated statement of changes in Equity

	Share capital £m Note 28(a)	Share capital beverages £m	Share premium £m	Capital redemption reserve £m Note 28(b)	Demerger reserve £m Note 28(b)	Hedging and translation reserve £m Note 28(b)	Acquisition revaluation reserve £m Note 28(b)	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 losses on defined benefit pension schemes (net of tax)	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(291)**	**(291)**
Shares issued – Cadbury Schweppes plc	**1**	**—**	**19**	**—**	**—**	**—**	**—**	**—**	**20**
Scheme of arrangement	**6,765**	**3,805**	**—**	**—**	**(10,570)**	**—**	**—**	**—**	**—**
Capital reduction	**(6,630)**	**(3,805)**	**—**	**—**	**10,435**	**—**	**—**	**—**	**—**
Elimination of Cadbury Schweppes plc reserves	**(265)**	**—**	**(1,244)**	**(90)**	**1,641**	**—**	**(42)**	**—**	**—**
Demerger of Americas Beverages	**—**	**—**	**—**	**—**	**(1,097)**	**—**	**—**	**—**	**(1,097)**
Transfer of shares in DPSG to other investments	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**16**	**16**
Shares issued – Cadbury plc	**1**	**—**	**38**	**—**	**—**	**—**	**—**	**—**	**39**
Profit for the period attributable to equity holders of the parent	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**364**	**364**
Dividends paid	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(295)**	**(295)**
At 31 December 2008	**136**	**—**	**38**	**—**	**409**	**441**	**—**	**2,498**	**3,522**

Segmental reporting

The Group has re-presented its segmental analysis for 2008 to reflect the change made from 1 January 2009 to its organisational structure moving from four regions to seven Business Units. BIMA has been split into two Business Units Britain and Ireland and Middle East and Africa, the former Americas region has been split into North America and South America and the former Asia Pacific region has been split into Asia and Pacific. The Europe region has remained unchanged.

(a) Business segment analysis

	Re-presented 2008					
	Reported measures			Segment measures		
	Revenue £m	Profit from operations £m	Operating margins %	Revenue £m	Underlying profit from operations £m	Underlying margins %
Britain and Ireland	**1,269**	**81**	**6.4**	**1,269**	**139**	**11.0**
Middle East and Africa	**376**	**26**	**6.9**	**376**	**34**	**9.0**
Europe	**1,097**	**44**	**4.0**	**1,097**	**115**	**10.5**
North America	**1,201**	**218**	**18.2**	**1,201**	**231**	**19.2**
South America	**430**	**78**	**18.1**	**430**	**84**	**19.5**
Pacific	**664**	**72**	**10.8**	**664**	**106**	**16.0**
Asia	**338**	**34**	**10.1**	**338**	**37**	**10.9**
	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

	Re-presented 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
Britain and Ireland	**81**	**14**	**—**	**9**	**35**	**139**
Middle East and Africa	**26**	**7**	**—**	**—**	**1**	**34**
Europe	**44**	**63**	**2**	**—**	**6**	**115**
North America	**218**	**11**	**2**	**(4)**	**4**	**231**
South America	**78**	**7**	**—**	**(1)**	**—**	**84**
Pacific	**72**	**29**	**—**	**(2)**	**7**	**106**
Asia	**34**	**3**	**—**	**—**	**—**	**37**
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 %
Britain and Ireland	1,258	62	4.9	1,258	130	10.3
Middle East and Africa	321	21	6.5	321	23	7.2
Europe	879	61	6.9	879	82	9.3
North America	1,049	144	13.7	1,049	184	17.5
South America	323	47	14.6	323	50	15.5
Pacific[1]	585	114	19.5	585	101	17.3
Asia	275	(5)	(1.8)	275	21	7.6
	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
Britain and Ireland	62	59	—	1	8	130
Middle East and Africa	21	1	—	—	1	23
Europe	61	18	1	3	(1)	82
North America	144	29	2	1	8	184
South America	47	4	—	—	(1)	50
Pacific[1]	114	6	2	(20)	(1)	101
Asia	(5)	2	13	11	—	21
Central	(166)	46	—	2	—	(118)
Profit from operations	**278**	**165**	**18**	**(2)**	**14**	**473**
Share of results in associates	8	—	—	—	—	8
Financing	(32)	—	—	—	(19)	(51)
Profit before taxation	**254**	**165**	**18**	**(2)**	**(5)**	**430**

1 Australia Beverages was separated from the former 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 segment, all other charges relate to amortisation.

An explanation of the reconciling items between reported and underlying performance measures is included in Note 1(y).

(a) Business segment analysis

	Re-presented 2006					
	Reported measures			Segment measures		
	Revenue £m	Profit from operations £m	Operating margins %	Revenue £m	Underlying profit from operations £m	Underlying margins %
Britain and Ireland	1,206	115	9.5	1,206	151	12.5
Middle East and Africa	294	(1)	(0.3)	294	19	6.5
Europe	818	66	8.1	818	81	9.9
North America	1,049	127	12.1	1,049	151	14.4
South America	281	39	13.9	281	41	14.6
Pacific[1]	587	99	16.9	587	114	19.4
Asia	240	15	6.3	240	18	7.5
	4,475	**460**	**10.3**	**4,475**	**575**	**12.8**
Central	8	(132)	n/a	8	(110)	n/a
Profit from operations	**4,483**	**328**	**7.3**	**4,483**	**465**	**10.4**

An explanation of segment performance measures is included in Note 1(e).

Reconciliation of profit from operations and profit before tax to underlying performance measure

	Re-presented 2006[2]							
	Reported performance £m	Reversal of restructuring costs £m	Reversal of amortisation and impairment of intangibles £m	Reversal of non-trading items £m	UK product recall £m	Nigeria adjustment £m	IAS 39 adjustment £m	Underlying proft from operations £m
Britain and Ireland	115	47	—	(42)	30	—	1	151
Middle East and Africa	(1)	4	15	—	—	—	1	19
Europe	66	14	—	4	—	—	(3)	81
North America	127	9	2	14	—	—	(1)	151
South America	39	2	—	—	—	—	—	41
Pacific[1]	99	7	2	—	—	—	6	114
Asia	15	3	—	—	—	—	—	18
Central	(132)	21	—	1	—	—	—	(110)
Profit from operations	**328**	**107**	**19**	**(23)**	**30**	**—**	**4**	**465**
Share of results in associates	(15)	—	—	—	—	23	—	8
Financing	(69)	—	—	—	—	—	—	(69)
Profit before taxation	**244**	**107**	**19**	**(23)**	**30**	**23**	**4**	**404**

1 Australia Beverages was separated from the former Asia Pacific segment in 2008 following a strategic review of the Australia Beverages business and changes to the management and reporting of this business. The Asia Pacific segment information for 2006 has been re-presented accordingly. Australia Beverages has been subsequently classified as an asset held for sale.

2 The Group has re-presented its segmental analysis for the comparative 2006 financial information to allocate certain central costs which directly support the regions to the regional operating segments as this is consistent with the way in which the Chief Operating Decision Maker reviews the results of the operating segments.

An explanation of the reconciling items between reported and underlying performance measures is included in Note 1(y).

(b) Business segment assets and liabilities

	2008						
	Segment assets £m	Investment in associates £m	Unallocated assets [1] £m	Total assets £m	Segment liabilities £m	Unallocated liabilities [1] £m	Total liabilities £m
Britain and Ireland	**983**	**—**	**—**	**983**	**(489)**	**—**	**(489)**
Middle East and Africa	**400**	**—**	**—**	**400**	**(186)**	**—**	**(186)**
Europe	**2,225**	**—**	**—**	**2,225**	**(466)**	**—**	**(466)**
North America	**2,649**	**—**	**—**	**2,649**	**(1,145)**	**—**	**(1,145)**
South America	**359**	**—**	**—**	**359**	**(82)**	**—**	**(82)**
Pacific	**663**	**5**	**—**	**668**	**(214)**	**—**	**(214)**
Asia	**438**	**—**	**—**	**438**	**(148)**	**—**	**(148)**
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
Britain and Ireland	963	—	—	963	(406)	—	(406)
Middle East and Africa	370	—	—	370	(164)	—	(164)
Europe	1,710	—	—	1,710	(465)	—	(465)
North America	2,127	—	—	2,127	(362)	—	(362)
South America	294	—	—	294	(62)	—	(62)
Pacific	551	3	—	554	(152)	—	(152)
Asia	324	—	—	324	(99)	—	(99)
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				
		Property, plant and equipment and software intangible additions:			
	Acquisition of Intangibles[1] £m	—excluding acquired subsidiaries £m	—acquired subsidiaries £m	Depreciation and amortisation of software intangibles £m	Amortisation and impairment of intangibles £m
Britain and Ireland	—	58	—	53	—
Middle East and Africa	—	19	—	13	—
Europe	(8)	178	(14)	33	2
North America	—	68	—	38	2
South America	—	16	—	10	—
Pacific	—	42	—	19	—
Asia	—	33	—	10	—
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				
		Property, plant and equipment and software intangible additions:			
	Acquisition of Intangibles £m	—excluding acquired subsidiaries £m	—acquired subsidiaries £m	Depreciation and amortisation of software intangibles £m	Amortisation and impairment of intangibles £m
Britain and Ireland	—	103	—	52	—
Middle East and Africa	—	13	—	10	—
Europe	288	77	64	26	1
North America	—	45	—	29	2
South America	—	11	—	9	—
Pacific[1]	53	33	9	14	2
Asia	—	24	—	8	13
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 former Asia Pacific segment, in accordance with IFRS 8. The 2007 financial information for Asia Pacific has been re-presented accordingly. Australia Beverages has subsequently been classified as an asset held for sale.

(d) UK revenue and non current assets

Revenue generated by UK businesses was £1,123 million (2007: £1,134 million, 2006: £1,086 milllion). Non-current assets of £462 million (2007: £599 million) are held by the Group’s UK businesses.

1. Nature of operations and accounting policies

(a) Nature of operations and segmental results

Cadbury plc (the "Company") and its subsidiaries and associated undertakings (the "Group") is an international confectionery business which sells its products in almost every country in the world. The origins of the business stretch back over 200 years. Cadbury has a broad portfolio of well established regional and local brands which include Cadbury, Trident, Halls, Green & Blacks, The Natural Confectionery Co., Dentyne and Hollywood. On 7 May 2008, the Group completed the demerger of the Americas Beverages business and in December 2008 the Group announced it had signed a conditional agreement to sell the Australia Beverages business. As described in note 38, on 12 March 2009 the group entered into a definitive sale and purchase agreement for the sale of Australia Beverages. The Income Statement and related notes for 2007 and 2006 have been re-presented to classify these businesses as discontinued, in accordance with IFRS 5, "Non-current assets held for sale and 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, UK product recall and IAS 39 adjustment) and underlying operating margins (operating margins before restructuring costs, non-trading items, amortisation and impairment of acquisition intangibles, UK product recall and IAS 39 adjustment).

(b) Accounting convention

The financial statements are prepared under the historical cost convention, except for the revaluation of financial instruments, and on a going concern basis.

These financial statements have been prepared in accordance with IFRSs as endorsed and adopted for use in the EU and IFRSs as issued by the International Accounting Standards Board and therefore comply with Article 4 of the EU IAS Regulation, IFRIC interpretations and those parts of the Companies Act 1985 applicable to companies reporting under IFRS. At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective (see note 39):

IAS 23 (Revised) Borrowing costs
IAS 27 (Revised) Consolidated and separate financial statements
Amendment to IAS 32 Financial Instruments: Presentation
Amendment to IAS 38 Intangible assets
Amendment to IAS 39 Financial Instruments: Recognition and Measurement
Amendment to IFRS 1 First time adoption of International Financial Reporting Standards
Amendment to IFRS 2 Share based payment
Amendment to IAS 27 (Revised) Consolidated and separate financial statements
IFRS 3 (Revised) Business combinations
IFRIC 13 Customer loyalty programmes
IFRIC 15 Arrangements for the construction of real estate
IFRIC 16 Hedges of a net investment in a foreign operation
IFRIC 17 Distributions of non cash assets to customers
IFRIC 18 Transfer of assets from customers

The Directors do not expect that the adoption of these Standards and Interpretations in future periods will have a material impact on the financial statements of the Group except for IFRS 3 (Revised) should the Group undertake material acquisitions in the future.

IFRS 8, Operating Segments has been adopted in advance of its effective date with effect from 1 January 2008. In addition to the adoption of IFRS 8, the Group has changed the measure of operating profit, which is disclosed segmentally to align with the way the chief operating decision maker assesses the performance of and allocates the Group's resources to the segments. As such the 2007 and 2006 segmental analysis has been re-presented to allocate certain global Supply Chain, Commercial and Science and Technology costs which directly support the business to the regional operating segments.

(c) Preparation of financial statements

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

On 7 May 2008, the Group completed the demerger of the Americas Beverages business. The Income Statement and related notes for 2007 and 2006 have been re-presented to classify this business as discontinued, in accordance with IFRS 5, "Non current assets held for sale and discontinued operations".

The demerger resulted in the confectionery business trading under the name Cadbury plc and the Americas Beverages business trading under the name Dr Pepper Snapple Group, Inc. (DPSG). The demerger was effected pursuant to a Scheme of Arrangement under section 425 of the Companies Act 1985. Pursuant to the Scheme of Arrangement, Cadbury Schweppes plc shareholders received 64 Cadbury plc ordinary shares and 12 DPSG shares for every 100 Cadbury Schweppes ordinary shares held. The accounts of Cadbury plc have been prepared as if it had been in existence since 1 January 2006. The following summarises the accounting principles that have been applied in preparing the financial statements on a reverse acquisition accounting basis:

> The income statements for Cadbury plc have been prepared as if the operations of Cadbury plc were in existence for the whole of the period from 1 January 2006 to 31 December 2008.

> Changes in share capital and reserves as a result of the capital reorganisation have been reflected in the current period. Differences between these amounts and the previously reported share capital and reserves have been adjusted in the Demerger reserve, as set out in Note 28.

In December 2008 the Group announced it had entered into a conditional agreement to sell the Australia Beverages business. As described in note 38, on 12 March 2009 the group entered into a definitive sale and purchase agreement for the sale of Australia Beverages. The results of the Australia Beverages business have been included within discontinued operations for 2008 and the 2007 and 2006 comparative results re-presented accordingly. At the year end the assets and liabilities of the Australia Beverages business are classified as assets held for sale in accordance with IFRS 5.

The Group has re-presented its segmental analysis for:

- 2008, 2007 and 2006 financial information to reflect the new Business Units in operation from 1 January 2009
- 2007 and 2006 financial information to allocate certain global Supply Chain, Commercial and Science and Technology costs, which directly support the business to the regional operating segments as this is consistent with the way in which the Chief Operating Decision Maker reviews the results of the operating segments.

The Group has also re-presented certain cash and cash equivalent and short term investment balances following the identification of an inconsistency in application of policy. This resulted in the following reclassifications:

	Represented 31 December 2008 £m	As previously presented 31 December 2008 £m	Represented 31 December 2007 £m	As previously presented 31 December 2007 £m	Represented 31 December 2006 £m	As previously presented 31 December 2006 £m
Short term investments	108	247	79	2	52	126
Cash and cash equivalents	390	251	416	493	343	269
Short term investments and cash and cash equivalents	**498**	**498**	**495**	**495**	**395**	**395**

There is no impact on net debt, the Group's measure of liquidity, profit, current assets, total assets or shareholders' equity from this reclassification.

(d) Basis of consolidation

The financial statements are presented in the form of Group financial statements. The Group financial statements consolidate the accounts of the Company and the entities controlled by the Company (including all of its subsidiary entities) after eliminating internal transactions and recognising any minority interests in those entities. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain economic benefits from its activities.

Minority interests are shown as a component of equity in the balance sheet and the share of profit attributable to minority interests is shown as a component of profit for the period in the consolidated income statement.

Results of subsidiary undertakings acquired during the financial year are included in Group profit from the effective date of control. The separable net assets, both tangible and intangible, of newly acquired subsidiary undertakings are incorporated into the financial statements on the basis of the fair value to the Group as at the effective date of control.

Results of subsidiary undertakings disposed of during the financial year are included in Group profit up to the effective date of disposal.

Entities in which the Group is in a position to exercise significant influence but does not have the power to control or jointly control are associated undertakings. Joint ventures are those entities in which the Group has joint control. The results, assets and liabilities of associated undertakings and interests in joint ventures are incorporated into the Group's financial statements using the equity method of accounting.

The Group's share of the profit after interest and tax of associated undertakings is included as one line below profit from operations. Investment in associated undertakings are carried in the balance sheet at cost as adjusted by post-acquisition changes in the Group's share of the net assets of the entity. All associated undertakings have financial years that are coterminous with the Group's, with the exception of Camelot Group plc ("Camelot") whose financial year ends in March. The Group's share of the profits of Camelot is based on its most recent, unaudited financial statements to 30 September.

(e) Segmental analysis

From 1 January 2009, the Group has changed its operational structure to seven Business Units each with its own leadership team. Britain, Ireland, Middle East and Africa (BIMA) was split into Britain and Ireland and Middle East and Africa, Americas was split into North America and South America, Asia Pacific was split into Pacific and Asia and Europe remains unchanged.

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 segmental information for Pacific now excludes Australia Beverages, with the prior periods 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 2008 and the comparative 2007 and 2006 financial information as described below.

Basis of recharge of costs between segments

Certain central costs are considered to relate to the operating segments, for example where individuals have dual roles or services are provided by a Group function instead of external contractors, for example IT or legal services. These costs are recharged with a suitable mark-up and settled as other trading intercompany balances.

Basis of allocation of costs between segments

On adoption of IFRS 8, the Group has changed the measure of operating profit which is disclosed segmentally to align with the way in which the Chief Operating Decision Maker assesses the performance of and allocates the Group's resources to the Business Units. As such the 2007 and 2006 segmental analysis has been re-presented to allocate certain global Supply Chain, Commercial and Science and Technology costs, which directly support the business, to the operating segments.

(f) Foreign currencies

Transaction differences arising from exchange rate variations of monetary items in trading transactions are included within profit from operations while those arising on financing transactions are recorded within investment revenue or finance costs, as appropriate. The functional currency of each of the Company's subsidiaries is the local currency in which each subsidiary is located. Monetary assets and liabilities denominated in a currency other than the functional currency of each of the Company's subsidiaries are translated into the functional currency at the rates ruling at the end of the financial year.

The consolidated financial statements are prepared in pounds sterling. The balance sheets of overseas subsidiaries are translated into pounds sterling at the rates of exchange ruling at the end of the financial year. The results of overseas subsidiary undertakings for the financial year are translated into sterling at an annual average rate, calculated using the exchange rates ruling at the end of each month. Differences on exchange arising from the retranslation of opening balance sheets of overseas subsidiary undertakings (or date of control in the case of acquisitions during the year) to the rate ruling at the end of the financial year are taken directly to the Group's translation reserve. In addition, the exchange differences arising from the retranslation of overseas profit and losses from average rate to closing rate are taken directly to the Group's translation reserve. Such translation differences are recognised as income or expense in the financial year in which the operations are disposed of.

(g) Revenue

Revenue represents the invoiced value of sales and royalties excluding inter-company sales, value added tax and sales taxes that arise as a result of the Group's sale of branded chocolate, gum and candy confectionery products and branded soft drinks. It is stated net of trade discounts, sales incentives, up-front payments, slotting fees and other non-discretionary payments.

Revenue is recognised when the significant risks and rewards of ownership of the goods have transferred to the buyer, the price is fixed or determinable and collection of the amount due is reasonably assured. A provision for sales returns is estimated on the basis of historical returns and is recorded so as to allocate these returns to the same period as the original revenue is recorded. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(h) Research and development expenditure

Expenditure on research activities is recognised as an expense in the financial year in which it is incurred.

Development expenditure is assessed and capitalised if it meets all of the following criteria:

> an asset is created that can be identified;

> it is probable that the asset created will generate future economic benefits; and

> the development cost of the asset can be measured reliably.

Capitalised development costs are amortised over their expected economic lives. Where no internally generated intangible asset can be recognised, development expenditure is recognised as an expense in the financial year in which it is incurred.

(i) Advertising costs

The Group expenses all advertising costs as incurred unless it represents a prepayment for goods or services yet to be delivered or rendered and no amounts are capitalised for direct response advertising.

(j) Share-based payments

The Group issues equity settled share-based payments to certain employees. A fair value for the equity settled share awards is measured at the date of grant. Management measures the fair value using the valuation technique that they consider to be the most appropriate to value each class of award. Methods used include Binomial models, Black-Scholes calculations and Monte Carlo simulations. The valuations take into account factors such as non-transferability, exercise restrictions and behavioural considerations.

An expense is recognised to spread the fair value of each award over the vesting period on a straight-line basis, after allowing for an estimate of the share awards that will eventually vest. The estimate of the level of vesting is reviewed at least annually, with any impact on the cumulative charge being recognised immediately.

(k) Restructuring costs

The restructuring of the Group's existing operations and the integration of acquisitions gives rise to significant incremental one-off costs. The most significant component of these restructuring costs is typically redundancy payments. The Group views restructuring costs as costs associated with investment in future performance of the business and not part of the Group's trading performance. These costs have a material impact on the absolute amount of and trend in the Group profit from operations and operating margins. Therefore, such restructuring costs are shown as a separate line item within profit from operations on the face of the income statement. In 2008 and 2007, the Group has incurred costs which are restructuring in nature but relate to the maintenance of an efficient business. These costs are termed business improvement costs and are included within the underlying operating results of the business as they are expected to be incurred each year and hence will not distort the performance trends of the business.

Restructuring costs and business improvement costs are recognised when the Group has a detailed formal plan for the restructuring that has been communicated to the affected parties. A liability is recognised for unsettled restructuring costs.

(l) Non-trading items

Cadbury's trade is the marketing, production and distribution of branded confectionery. As part of its operations the Group may dispose of or recognise an impairment of subsidiaries, associates, investments, brands and significant fixed assets that do not meet the requirements to be separately disclosed outside of continuing operations, or recognise expenses relating to the separation of a business which does meet the requirements to be separately disclosed as a discontinued operation. These discrete activities form part of the Group's operating activities and are reported in arriving at the Group's profit from operations: however, management does not consider these items to be part of its trading activities. The gains and losses on these discrete items can be significant and can give rise to gains or losses in different reporting periods. Consequently, these items can have a material impact on the absolute amount of and trend in the Group profit from operations and operating margins. Therefore any gains and losses (including transaction costs incurred) on these non-trading items are shown as a separate line item within profit from operations on the face of the income statement.

(m) Earnings per ordinary share

Basic earnings per ordinary share (EPS) is calculated by dividing the profit for the period attributable to equity holders of the parent by the weighted average number of shares in issue during the year. Diluted EPS is calculated by dividing the profit for the period attributable to equity holders of the parent by the weighted average number of shares in issue during the year increased by the effects of all dilutive potential ordinary shares (primarily share awards).

Underlying EPS represents basic EPS, adjusted in order to exclude amortisation and impairment of acquisition intangibles, restructuring costs, non-trading items, IAS 39 adjustments and associated tax effect as described in Note 1 (y).

(n) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired entity at the date of the acquisition. Goodwill is recognised as an asset and assessed for impairment at least annually. Where applicable the asset is treated as a foreign currency item and retranslated at each year end. Where an impairment test is performed on goodwill, a discounted cash flow analysis is carried out based on the cash flows of the cash-generating unit (CGU) and comparing the carrying value of assets of the CGU with their recoverable amount. These cash flows are discounted at rates that management estimate to be the risk affected average cost of capital for the particular businesses. Any impairment is recognised immediately in the income statement.

Upon a step acquisition from associate to subsidiary, the acquiree's assets and liabilities are recognised at their fair value in the Group's balance sheet. Goodwill is calculated separately at each stage of the acquisition using the share of the fair value of net assets acquired. This gives rise to the creation of an IFRS 3 revaluation reserve as a separate component within equity which represents the fair value uplift attributable to the previously held share of assets and liabilities. A reserves transfer will be made to offset any incremental depreciation on the revalued assets.

Upon disposal of a subsidiary, associate or joint venture the attributable goodwill is included in the calculation of the profit or loss on disposal. Goodwill written off to reserves under UK GAAP prior to 1998 has not been reinstated and is not included in determining any subsequent profit or loss on disposal.

(o) Acquisition intangibles

Brands

The main economic and competitive assets of the Group are its brands, including the Cadbury brand, some of which are not on the balance sheet as these are internally generated. The Group carries assets in the balance sheet only for major brands that have been acquired since 1986. Acquired brand values are calculated based on the Group's valuation methodology, which is based on valuations of discounted cash flows. Intangible assets are treated as local currency assets and are retranslated to the exchange rate in effect at the end of the financial year. Where the Group licenses the use of a brand then there is no value recognised in the Group's accounts.

No amortisation is charged on over 95% of brand intangibles, as the Group believes that the value of these brands is maintained indefinitely. The factors that result in the durability of brands capitalised is that there are no material legal, regulatory, contractual, competitive, economic or other factors that limit the useful life of these intangibles. Furthermore:

> The Group is a brands business and expects to acquire, hold and support brands for an indefinite period. The Group supports these brands through spending on consumer marketing across the business and through significant investment in promotional support. The brands capitalised are expected to be in longstanding and profitable market sectors.

> The likelihood that market based factors could truncate a brand's life is relatively remote because of the size, diversification and market share of the brands in question.

> The Group owns the trademark for all brands valued on the balance sheet and renews these for nominal cost at regular intervals. The Group has never experienced problems with such renewals.

Where a brand's life is not deemed to be indefinite it is written off over its expected useful life on a straight-line basis, with the lives reviewed annually.

Other

The Group also recognises certain other separately identifiable intangible assets at fair value on acquisition. These include customer relationships, customer contracts and the exclusive rights to distribute branded products in certain geographical areas (franchise rights), including where such rights were granted to the acquired entity by the Group prior to its acquisition. No amortisation is charged on franchise rights acquired through acquisition where the rights relate to brands owned by the Group and these brands have been assigned an indefinite life. This is because the Group believes that these rights will extend indefinitely.

Impairment review

The Group carries out an impairment review of its tangible and definite life intangible assets when a change in circumstances or situation indicates that those assets may have suffered an impairment loss. Intangible assets with indefinite useful lives are tested for impairment at least annually and whenever there is an indication that the asset may be impaired. Impairment is measured by comparing the carrying amount of an asset or of a cash-generating unit with the 'recoverable amount', that is the higher of its fair value less costs to sell and its 'value in use'. 'Value in use' is calculated by discounting the expected future cash flows, using a discount rate based on an estimate of the rate that the market would expect on an investment of comparable risk.

(p) Software intangibles

Where computer software is not an integral part of a related item of computer hardware, the software is treated as an intangible asset. Capitalised internal-use software costs include external direct costs of materials and services consumed in developing or obtaining the software, and payroll and payroll-related costs for employees who are directly associated with and who devote substantial time to the project. Capitalisation of these costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose. These costs are amortised over their expected useful life on a straight-line basis, with the lives reviewed annually.

(q) Property, plant and equipment and leases

Assets are recorded in the balance sheet at cost less accumulated depreciation and any accumulated impairment losses. Under UK GAAP, certain assets were revalued in 1995 and the depreciated revalued amount was treated as deemed cost on transition to IFRS.

Depreciation is charged (excluding freehold land and assets in course of construction) so as to write off the cost of assets to their residual value, over their expected useful lives using the straight-line method. The principal rates are as follows:

Freehold buildings and long leasehold properties	2.5%
Plant and machinery	7%-10%
Vehicles	12.5%-20%
Office equipment	10%-20%
Computer hardware	12.5%-33%

Assets in the course of construction are not depreciated until they are available for use, at which time they are transferred into one of the categories above and depreciated according to the rates noted.

Short leasehold properties are depreciated over the shorter of the estimated life of the asset and the life of the lease.

In specific cases different depreciation rates are used, e.g. high-speed machinery, machinery subject to technological changes or any machinery with a high obsolescence factor.

Where assets are financed by leasing agreements and substantially all the risks and rewards of ownership are substantially transferred to the Group (“finance leases”) the assets are treated as if they had been purchased outright and the corresponding liability to the leasing company is included as an obligation under finance leases. For property leases, the land and buildings elements are treated separately to determine the appropriate lease classification. Depreciation on assets held under finance leases is charged to the income statement on the same basis as owned assets. Leasing payments are treated as consisting of capital and interest elements and the interest is charged to the income statement as a financing charge. All other leases are “operating leases” and the relevant annual rentals are charged wholly to the income statement.

(r) Inventories

Inventories are recorded at the lower of average cost and estimated net realisable value. Cost comprises direct material and labour costs together with the relevant factory overheads (including depreciation) on the basis of normal activity levels. Amounts are removed from inventory based on the average value of the items of inventory removed.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits.

(t) Assets held for sale and discontinued operations

When the Group intends to dispose of, or classify as held for sale, a business component that represents a separate major line of business or geographical area of operations it classifies such operations as discontinued. The post tax profit or loss of the discontinued operations is shown as a single amount on the face of the income statement, separate from the other results of the Group.

An allocation of interest relating to the debt demerged with the Americas Beverages business has been included within discontinued operations.

Assets classified as held for sale are measured at the lower of carrying value and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when management are committed to the sale, the sale is highly probable and expected to be completed within one year from classification and the asset is available for immediate sale in its present condition.

Disposal groups are classified as discontinued operations where they represent a major line of business or geographical area of operations. The income statement for the comparative periods will be represented to show the discontinued operations separate from the continuing operations.

(u) Taxation

The tax charge for the year includes the charge for tax currently payable and deferred taxation. The current tax charge represents the estimated amount due that arises from the operations of the Group in the financial year and after making adjustments to estimates in respect of prior years.

Deferred tax is recognised in respect of all differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, except where the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised where the carrying value of an asset is greater than its associated tax basis or where the carrying value of a liability is less than its associated tax basis. Deferred tax is provided for any differences that exist between the tax base and accounting base of brand intangibles arising from a business combination.

A deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the deductible temporary difference can be utilised.

The Group is able to control the timing of dividends from its subsidiaries and hence does not expect to remit overseas earnings in the foreseeable future in a way that would result in a charge to taxable profit. Hence deferred tax is recognised in respect of the retained earnings of overseas subsidiaries only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary. Deferred tax is recognised for unremitted overseas earnings on its associates and interests in joint ventures.

Deferred tax is measured at the tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted, by the balance sheet date. Deferred tax is measured on a non-discounted basis.

(v) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

(w) Pensions and other post-retirement benefits

The cost of defined contribution retirement schemes is charged as an expense as the costs become payable. Any difference between the payments and the charge is recognised as a short-term asset or liability. Payments to state-managed retirement benefit schemes where the Group’s obligations are equivalent to those arising in a defined contribution retirement benefit scheme are treated in the same manner.

For defined benefit retirement schemes, the cost of providing the benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Past service cost is recognised immediately to the extent the benefits are vested, and otherwise are amortised straight line over the average period until the benefits become vested. The current service cost and the recognised element of any past service cost are presented within Profit from Operations. The expected return on plan assets less the interest arising on the pension liabilities is presented within Financing. Actuarial gains and losses are recognised in full in the period in which they occur, outside of profit and loss and presented in the Statement of Recognised Income and Expense. The expected return on plan assets reflects the estimate made by management of the long-term yields that will arise from the specific assets held within the pension plan.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised past service cost and the fair value of any relevant scheme assets. Where a deep market for corporate bonds exists, the discount rate applied in arriving at the present value represents yields on high quality corporate bonds in a similar economic environment with lives similar to the maturity of the pension liabilities. In the absence of a deep market for such corporate bonds a government bond yield is used. Any net assets resulting from this calculation are limited to the extent of any past service cost, plus the present value of guaranteed refunds (even if available only at the end of the plan) and reductions in future contributions to the plan.

(x) Financial instruments

Recognition

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes party to the contractual provisions of the instrument on a trade date basis.

Derivative financial instruments

The Group manages exposures using hedging instruments that provide the appropriate economic outcome. Where it is permissible under IAS 39, the Group's policy will be to apply hedge accounting to hedging relationships where it is both practical to do so and its application reduces volatility.

Transactions that may be effective hedges in economic terms may not always qualify for hedge accounting under IAS 39. Due to the nature of many of the Group's hedging and derivative instruments it is unlikely that hedge accounting will be adopted for these hedging relationships. Consequently, movements in the fair value of derivative instruments will be immediately recognised in the income statement and may lead to increased volatility. The Group will separately disclose the impact of such volatility.

The Group is exposed to a number of different market risks arising from its international business. Derivative financial instruments are utilised by the Group to lower funding costs, to diversify sources of funding, to alter interest rate exposures arising from mismatches between assets and liabilities or to achieve greater certainty of future costs. These exposures fall into two main categories:

Transactional exposures

The Group is exposed to changes in prices of its raw materials, certain of which are subject to potential short and long-term fluctuations. In respect of such commodities the Group enters into derivative contracts in order to provide a stable cost base for marketing finished products. The use of commodity derivative contracts enables the Group to obtain the benefit of guaranteed contract performance on firm priced contracts offered by banks, the exchanges and their clearing houses. In principle these derivatives may qualify as "cash flow hedges" of future forecast transactions. To the extent that the hedge is deemed effective, the movement in the fair value of the derivative would be deferred in equity and released to the income statement as the cash flows relating to the underlying transactions are incurred.

The Group has transactional currency exposures arising from its international trade. The Group also enters into certain contracts for the physical delivery of raw materials which may implicitly contain a transactional currency exposure, an "embedded derivative". The Group's policy is to take forward cover for all forecasted receipts and payments (including inter-company transactions) for as far in advance as the pricing structures are committed, subject to a minimum of three months cover. The Group makes use of the forward foreign exchange markets to hedge its exposures. In principle these derivatives may qualify as "cash flow hedges" of future forecast transactions. To the extent that the hedge is deemed effective, the movement in the fair value of the derivative would be deferred in equity and released to the income statement as the cash flows relating to the underlying transactions are incurred.

Treasury hedging

Interest rate swaps, cross currency interest rate swaps and forward rate agreements are used to convert fixed rate borrowings to floating rate borrowings. In principle, these derivatives would qualify as "fair value hedges" of the underlying borrowings. To the extent that the hedge is deemed effective, the carrying value of the borrowings would be adjusted for changes in their fair value attributable to changes in interest rates through the income statement. There would also be an adjustment to the income statement for the movement in fair value of the hedging instrument that would offset, to the extent that the hedge is effective, the movement in the carrying value of the underlying borrowings.

Interest rate swaps and forward rate agreements are used to convert a proportion of floating rate borrowings to fixed rate. In principle, these transactions would qualify as "cash flow hedges" of floating rate borrowings. To the extent that the hedge is deemed effective, the movement in the fair value of the derivative would be deferred in equity and released to the income statement as the cash flows relating to the underlying borrowing are incurred. However, where these transactions hedge another derivative (e.g. fixed to floating rate interest rate swap), they would not qualify for hedge accounting under IAS 39 because the risk being hedged is a risk created by the use of derivatives.

Forward currency contracts and currency swaps are used to convert the currency of floating rate borrowings. In principle, the majority of these derivatives would qualify as "net investment hedges" of the exchange exposure on our net investment in foreign operations. To the extent that the hedge is deemed effective, the gains or losses on fair valuation of the hedging instruments would be deferred in equity, where they would at least partially offset the gain or loss on retranslation of the net investment in the foreign operations, and be recycled to the Income Statement only on disposal of the foreign operation to which it relates.

Where it is neither practical nor permissible to apply hedge accounting to the Group's derivative instruments, the movements in the fair value of these derivative instruments are immediately recognised in the income statement within financing.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated, irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Borrowings

Borrowings are initially recognised at fair value plus any transaction costs associated with the issue of the relevant financial liability. Subsequent to initial measurement, borrowings are measured at amortised cost with the borrowing costs being accounted for on an accrual basis in the income statement using the effective interest method. At the balance sheet date accrued interest is recorded separately from the associated borrowings within current liabilities.

Short-Term Investments

Short-term investments held by the Group are in the form of bank deposits and money market fund deposits. Investments are recognised and derecognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and initially measured at fair value, plus transaction costs. Following initial recognition, investments are accounted for at amortised cost.

(y) Management performance measures

Cadbury believes that underlying profit from operations, underlying profit before tax, underlying earnings and underlying earnings per share provide additional useful information on underlying trends to shareholders. These measures are used by Cadbury management for internal performance analysis and incentive compensation arrangements for employees. The term underlying is not a defined term under IFRS and may not therefore be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for, or superior to, GAAP measurements of profit. As the Group has chosen to present an alternative earnings per share measure, a reconciliation of this alternative measure to the statutory measure required by IFRS is given in Note 13.

The principal adjustments made to reported in the income statement are summarised below:

> Restructuring costs — the costs incurred by the Group in implementing significant restructuring projects, such as Vision into Action, the major Group-wide efficiency programme in pursuit of the mid-teen margin goal and integrating acquired businesses are classified as restructuring. These are programmes involving one-off incremental items of major expenditure. In addition, costs incurred to establish a stand-alone confectionery business have also been classified as restructuring. The Group views restructuring costs as costs associated with investment in the future performance of the business and not part of the underlying performance trends of the business. Where material, restructuring costs are initially recognised after discounting to present value. The subsequent unwind of any discount is reported as a non-underlying finance cost if the associated provision resulted from non-underlying restructuring costs;

> Amortisation and impairment of intangibles — the Group amortises certain short-life acquisition intangibles. In addition, the impairment of the goodwill in respect of China in 2007 and Cadbury Nigeria in 2006 has been recorded outside the underlying results. This amortisation and impairment charge is not considered to be reflective of the underlying trading of the Group;

> Non-trading items — while the gain or loss on the disposal or impairment of subsidiaries, associates, investments and fixed assets form part of the Group's operating activities, the Group does not consider them to form part of its trading activities. The gains and losses (including transaction costs incurred) on these discrete items can be significant and can have a material impact on the absolute amount of, and trend in, the Group profit from operations and operating margins. Any gains and losses on these non-trading items are therefore excluded in arriving at its underlying profit from operations;

> IAS 39 adjustments — under IAS 39, the Group seeks to apply hedge accounting to hedge relationships (principally under commodity contracts, foreign exchange forward contracts and interest rate swaps) where it is permissible, practical to do so and reduces overall volatility. Due to the nature of its hedging arrangements, in a number of circumstances, the Group is unable to obtain hedge accounting. The Group continues, however, to enter into these arrangements as they provide certainty of price and delivery for the commodities purchased by the Group, the exchange rates applying to the foreign currency transactions entered into by the Group and the interest rate applying to the Group's debt. These arrangements result in fixed and determined cash flows. The Group believes that these arrangements remain effective, economic and commercial hedges. The effect of not applying hedge accounting under IAS 39 means that the reported profit from operations reflects the actual rate of exchange and commodity price ruling on the date of a transaction regardless of the cash flow paid by the Group at the predetermined rate of exchange and commodity price. In addition, the movement in the fair value of open contracts in the period is recognised in the financing charge for the period. While the impacts described above could be highly volatile depending on movements in exchange rates, interest yields or commodity prices, this volatility will not be reflected in the cash flows of the Group, which will be determined by the fixed or hedged rate. The volatility introduced as a result of not applying hedge accounting under IAS 39 has been excluded from our underlying performance measures to reflect the cash flows that occur under the Group's hedging arrangements;

> Certain other items which do not reflect the Group's underlying trading performance and due to their significance and one-off nature have been considered separately. The gains and losses on these discrete items can have material impact on the absolute amount of and trend in the profit from operations and result for the year. Therefore any gains and losses on such items are analysed outside underlying and comprise:

– Demerger costs — in 2008, the Group has incurred significant transaction costs, including one-off financing fees, as a result of the separation of the Americas Beverages business which have been classified outside underlying earnings;

– Contract termination gain — in 2007, the Group received amounts in respect of the termination of a distribution agreement for the beverage brand, Glaceau, in the US, which is included in discontinued operations. The gain which would otherwise have been received through distribution of the product in 2008, offset by the write-off of associated intangible assets, is excluded from the underlying results of the Group. The balance of the settlement which would have related to 2007 has been included within the underlying results of the Group;

– UK product recall — in 2006 the incremental direct costs (net of directly attributable insurance recoveries) incurred in recalling seven Cadbury branded product lines in the UK and two in Ireland have been excluded from the underlying results of the Group. Any impact on trading following the recall is included in underlying results;

– Nigeria — in 2006 the Group's share of Cadbury Nigeria's adjustments to reverse the historical over-statement of financial results and position has been excluded from the underlying equity accounted share of result in associates on the grounds that these adjustments had accumulated over a period of years and were a consequence of deliberate financial irregularities. The charge is not considered to represent the underlying trading performance of the business;

– Release of disposal tax provisions — in 2006, the Group reached agreement with the UK tax authorities as to the tax due in connection with the disposal in 1997 of Coca-Cola & Schweppes Beverages, a UK bottling business and the disposal in 1999 of the Group's beverage brands in 160 countries. This resulted in the release of unutilised provisions totalling £51 million. The original disposal gains, net of tax, were treated as discontinued operations and excluded from the underlying results in the relevant years. Consistent with the previous treatment, the release of the unutilised provisions has been excluded from the underlying result; and

> Taxation — the tax impact of the above items are also excluded in arriving at underlying earnings. In addition, from time to time there may be tax items which as a consequence of their size and nature are excluded from underlying earnings including the tax impact of reorganisations undertaken in preparation for the separation of Americas Beverages and the recognition of deferred tax assets relating to the reassessment of capital losses and the tax basis of goodwill on the classification of Australia Beverages as an asset held for sale.

(z) Critical accounting policies

The preparation of our financial statements in conformity with IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and revenue and expenses during the period. Our significant accounting policies are presented in the notes to the financial statements.

Critical accounting policies are those that are most important to the portrayal of our financial condition, results of operations and cash flow, and require management to make difficult, subjective or complex judgements and estimates about matters that are inherently uncertain. Management bases its estimates on historical experience and other assumptions that it believes are reasonable. Our critical accounting policies are discussed below.

Actual results could differ from estimates used in employing the critical accounting policies and these could have a material impact on our results. We also have other policies that are considered key accounting policies, such as the policies for revenue recognition, cost capitalisation and cocoa accounting. However, these policies, which are discussed in the notes to the Group's financial statements, do not meet the definition of critical accounting estimates, because they do not generally require estimates to be made or judgements that are difficult or subjective.

(i) Brands and other acquisition intangibles

Brands and other intangibles that are acquired through acquisition are capitalised on the balance sheet. These brands and other intangibles are valued on acquisition using a discounted cash flow methodology and we make assumptions and estimates regarding future revenue growth, prices, marketing costs and economic factors in valuing a brand. These assumptions reflect management's best estimates but these estimates involve inherent uncertainties, which may not be controlled by management.

Upon acquisition we assess the useful economic life of the brands and intangibles. We do not amortise over 95% of our brands by value. In arriving at the conclusion that a brand has an indefinite life, management considers the fact that we are a brands business and expects to acquire, hold and support brands for an indefinite period. We support our brands through spending on consumer marketing and through significant investment in promotional support, which is deducted in arriving at revenue.

Many of our brands were established over 50 years ago and continue to provide considerable economic benefits today. We also consider factors such as our ability to continue to protect the legal rights that arise from these brand names indefinitely or the absence of any regulatory, economic or competitive factors that could truncate the life of the brand name.

The cost of brands and other acquisition intangibles with a finite life are amortised using a methodology that matches management's estimate of how the benefit of the assets will be consumed. Each year we re-evaluate the remaining useful life of the brands and other intangibles. If the estimate of the remaining useful life changes the remaining carrying value is amortised prospectively over that revised remaining useful life.

A strategic decision to withdraw marketing support from a particular brand or the weakening in a brand's appeal through changes in customer preferences might result in management concluding that the brand's life had become finite. Were intangible assets to be assigned a definite life, a charge would be recorded that would reduce reported profit from operations and reduce the value of the assets reported in the balance sheet. We have consistently applied our estimate of indefinite brand lives since the date we first recognised brands as intangible assets in 1989 except for one brand where we amended our original estimate from an indefinite life to a definite life asset as the products had been re-branded.

(ii) Recoverability of long-lived assets

We have significant long-lived asset balances, including intangible assets, goodwill and tangible fixed assets. Where we consider the life of intangible assets and goodwill to be indefinite the balance must be assessed for recoverability on at least an annual basis. In other circumstances the balance must be assessed for recoverability if events occur that provide indications of impairment. An assessment of recoverability involves comparing the carrying value of the asset with its recoverable amount, being the higher of fair value less costs to sell and value in use. Typically recoverable amount is based on value in use. If the recoverable amount of a long-lived asset were determined to be less than its carrying value, as was the case for Cadbury China during 2007 and for Cadbury Nigeria during 2006, an impairment is charged to the income statement.

The key assumptions applied in arriving at a value in use for a long-lived asset are:

> The estimated future cash flows that will be derived from the asset; and

> The discount rate to be applied in arriving at a present value for these future cash flows.

(iii) Future cash flows

In estimating the future cash flows that will be derived from an asset, we make estimates regarding future revenue growth and profit margins for the relevant assets. These estimates are based on historical data, various internal estimates and a variety of external sources and are developed as part of the long-term planning process. Such estimates are subject to change as a result of changing economic and competitive conditions, including consumer trends. Higher estimates of the future cash flows will increase the fair values of assets. Conversely, lower estimates of cash flows will decrease the fair value of assets and increase the risk of impairment. We attempt to make the most appropriate estimates of future cash flows but actual cash flows may be greater or less than originally predicted.

(iv) Discount rates

The future cash flows are discounted at rates that we estimate to be the risk adjusted cost of capital for the particular asset. An increase in the discount rate will reduce the fair value of the long-lived assets, which could result in the fair value falling below the assets carrying value and an impairment being realised as part of the annual impairment review. On the other hand a decrease in the discount rate will increase the value in use of the long-lived assets and decrease the likelihood of impairment.

Future changes in interest rates, the premium the capital markets place on equity investments relative to risk-free investments and the specific assessment of the capital markets as to our risk relative to other companies can all affect our discount rate. Increases in interest rates and/or the risk premium applied by the capital markets would both result in increased discount rates. Conversely a reduction in interest rates and/or the risk premium applied by the capital markets would both result in decreased discount rates. These factors are largely outside of our control or ability to predict. For the past five years management has applied a Group discount rate of between 8.0% and 8.5% before any adjustment for country, market or asset specific risk. The discount rates applied in 2008 range from 8.0% to 21.0%.

Where applicable, we review the reasonableness of all assumptions by reference to available market data including, where applicable, the publicly quoted share price of the Company. Changes in the assumptions used by management can have a significant impact on the estimated fair value of assets and hence on the need for, or the size of, an impairment charge.

(v) Trade spend and promotions

Accrued liabilities associated with marketing promotion programmes require difficult subjective judgements. We utilise numerous trade promotions and consumer coupon programmes. The costs of these programmes are recognised as a reduction to revenue with a corresponding accrued liability based on estimates made at the time of shipment or coupon release. The accrued liability for marketing promotions is determined through analysis of programmes, historical trends, expectations around customer and consumer participation, revenue and payment trends, and experiences of payment patterns associated with similar programmes that have previously been offered, often in consultation with external advisers. Management has significant experience in making such estimates. However each programme is different and it is possible that the initial estimate of the costs of such programmes and therefore the reduction in revenue recorded based on such estimates, may differ from the actual results. To the extent that the period end accrual proves different to the actual payments required in the subsequent period an adjustment is recorded in the subsequent period.

(vi) Pensions

Several subsidiaries around the world maintain defined benefit pension plans. The biggest plans are located in UK, Ireland, US, Canada, Mexico and Australia. The pension liabilities recorded are based on actuarial assumptions, including discount rates, expected long-term rate of return on plan assets, inflation and mortality rates. The assumptions are based on current market conditions, historical information and consultation with and input from actuaries. Management reviews these assumptions annually. If they change, or if actual experience is different from the assumptions, the funding status of the plan will change and we may need to record adjustments to our previously recorded pension liabilities.

The cost of providing pension benefits is calculated using a projected unit credit method. The assumptions we apply are affected by short-term fluctuations in market factors. We use external actuarial advisers and management judgement to arrive at our assumptions.

In arriving at the present value of the pension liabilities, we estimate the most appropriate discount rate to be applied. We are required to base our estimate on the interest yields earned on high quality, long-term corporate bonds. As the estimate is based on an external market variable the subjectivity of the assumption is more limited, however actual interest rates may vary outside of our control, so the funding status and charge will change over time. A decrease in the discount factor will increase the pension liabilities and may increase the charge recorded. An increase in the discount factor will decrease the pension liabilities and may decrease the charge recorded.

In calculating the present value of the pension liabilities we are also required to estimate mortality rates (or life expectancy), including an expectation of future changes in mortality rates. The Group uses actuarial advisers to select appropriate mortality rates that best reflect the Group’s pension scheme population. If the mortality tables, or our expectation of future changes in the mortality tables, differ from actual experience then we will be required to revise our estimate of the pension liabilities and may be required to adjust the pension cost.

In calculating the pension cost, we are also required to estimate the expected return to be made on the assets held within the pension funds. We have taken direct account of the actual investment strategy of the associated pension schemes and expected rates of return on the different asset classes held. In the case of bond investments, the rates assumed have been directly based on market redemption yields at the measurement date, whilst those on other asset classes represent forward-looking rates that have typically been based on other independent research by investment specialists. A decrease in the expected rate of return will increase the pension charge for the year. Conversely an increase in the expected rate of return will decrease the pension charge for the year. If the actual returns fall below the long-term trend estimate the charge recorded in future periods will increase. If the actual returns exceed the long-term estimate the charge recorded in future periods will decrease.

Where defined benefit pension plans have an asset value in excess of the valuation of liabilities we consider whether this surplus will be realisable by the Group in the future either through a reduction in contributions or guaranteed refunds on cessation of the plan.

An indication of the variability of the main assumptions applied by management for the UK plan over the past two years is set out below:

	2008	2007
Discount rate	**6.1%**	5.8%
Rate of asset returns	**6.2%**	6.6%
Rate of salary increases	**3.7%**	4.3%

A 50 basis point decrease in the estimate of the discount rate would have resulted in an approximate 8.5% increase in the pension liabilities. A 50 basis point decrease in the estimate of the long-term rate of return on assets would have resulted in an approximate £14 million increase in the pension costs.

(vii) Income taxes

As part of the process of preparing our financial statements, we are required to estimate the income tax in each of the jurisdictions in which we operate. This process involves an estimation of the actual current tax exposure together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within the balance sheet.

Significant management judgement is required in determining the provision for income tax and the recognition of deferred tax assets and liabilities. However, the actual tax liabilities could differ from the provision. In such an event, we would be required to make an adjustment in a future period, and this could materially impact our financial position and results of operations.

We operate in numerous countries but the tax regulations in the US and the UK have the most significant effect on income tax and deferred tax assets and liabilities, and the income tax expense. The tax regulations are highly complex and whilst we aim to ensure the estimates of tax assets and liabilities that are recorded are accurate, the process of agreeing tax liabilities with the tax authorities can take several years and there may be instances where the process of agreeing tax liabilities requires adjustments to be made to estimates previously recorded.

In the last two years the impact that revising the initial estimates has had on the recorded charge for current and deferred taxes and the corresponding increase in profits is set out below:

	2008 £m	2007 £m
Increase/(reduction) in current tax charge	**3**	(34)
Reduction in deferred tax charge	**(33)**	(7)

We recognised deferred tax liabilities of £121 million (2007: £1,145 million) at 31 December 2008, and have recognised deferred tax assets of £181 million (2007: £124 million). There are further unrecognised deferred tax assets for losses of £183 million (2007: £179 million). These losses relate to unrelieved tax losses in certain countries. We are required to assess the likelihood of the utilisation of these losses when determining the level of deferred tax assets for losses to be recognised. We do this based on the historical performance of the businesses, the expected expiry of the losses and the forecast performance of the business. These estimates continue to be assessed annually and may change in future years, for example if a business with history of generating tax losses begins to show evidence of creating and utilising taxable profits. £66 million of such unrecognised tax losses have no time limits and hence these tax losses have a greater probability of future recognition. Any change in the recognition of deferred tax assets for losses would generate an income tax benefit in the income statement in the year of recognition and an income tax cost in the year of utilisation.

2. Revenue

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

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
Continuing operations			
Sale of goods	**5,375**	4,690	4,475
Rendering of services [1]	**9**	9	8
	5,384	**4,699**	**4,483**
Investment revenue (Note 9)	**52**	56	50
Discontinued operations (Note 31)	**1,389**	3,272	3,014
	6,825	**8,027**	**7,547**

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	Re-presented 2006 £m
Cost of sales	2,870	2,504	2,364
Distribution costs	247	241	247
Marketing and selling costs	584	487	463
Administrative expenses	1,098	1,008	948
Amortisation of definite life acquisition intangibles	4	5	5
Impairment of goodwill	—	13	14
UK product recall	—	—	30
	4,803	**4,258**	**4,071**

Cost of sales represents those costs directly related to preparation of finished goods (including ingredients, labour, utility costs and the depreciation costs that arise on manufacturing assets). Distribution costs includes the cost of storing products and transporting them to customers. Marketing and selling costs is made up of the cost of brand support through direct advertising, and promotional marketing and the costs of supporting the sales and marketing effort. Administrative expenses includes the cost of information technology, research and development and other back office functions.

In 2006, UK product recall represents the costs arising from the recall of seven of our Cadbury branded product lines in the UK and two in Ireland. These costs consist of customer returns, destroyed stock, remediation costs and increased media spend, offset by a £7 million insurance recovery.

The Group views restructuring costs as costs associated with investment in the future performance of our business and not part of the underlying performance trends of the business. Hence these restructuring costs are separately disclosed in arriving at profit from operations. The Group considers the amortisation and impairment of acquisition intangibles to be administrative in nature.

(b) Gross profit analysis:

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
Revenue	**5,384**	4,699	4,483
Cost of sales	**(2,870)**	(2,504)	(2,364)
Gross profit	**2,514**	**2,195**	**2,119**

4. Restructuring costs

During 2008, the Group incurred £200 million (2007: £200 million, 2006: £133 million) of restructuring costs. Of this total charge £6 million (2007: £35 million, 2006: £26 million) relates to discontinued operations as disclosed in Note 31(g) and £194 million (2007: £165 million, 2006: £107 million) relates to continuing operations as disclosed below. The Group initiated a restructuring programme in 2007 "Vision into Action", in pursuit of mid-teen margins. The third party supply contract with Gumlink became onerous in 2007 and net penalties payable have been recognised. The costs incurred to effect the separation and creation of a stand-alone confectionery business following the demerger of the Americas Beverages business and the announced sale of Australia Beverages have been classified as restructuring in 2007 and 2008.

	2008 **£m**	Re-presented 2007 £m	Re-presented 2006 £m
Fuel for Growth	**—**	—	107
Vision into Action	**142**	151	—
Integration costs	**9**	—	—
Onerous contract and penalties payable — Gumlink	**27**	9	—
Separation and creation of stand-alone Confectionery business costs	**16**	5	—
	194	**165**	**107**

Of this total charge of £194 million (2007: £165 million, 2006: £107 million), £82 million (2007: £83 million, 2006: £62 million) was redundancy related, £13 million (2007: £19 million, 2006: £14 million) related to external consulting costs and £45 million (2007: £24 million, 2006: £nil) was associated with onerous contracts. The remaining costs consisted of asset write-offs, site closure costs, relocation costs, distribution contract termination payments and acquisition integration costs. The analysis of these costs by segment is shown below:

	Re-presented **2008** **£m**	Re-presented 2007 £m	Re-presented 2006 £m
Britain and Ireland	**14**	59	47
Middle East and Africa	**7**	1	4
Europe	**63**	18	14
North America	**11**	29	9
South America	**7**	4	2
Pacific	**29**	6	7
Asia	**3**	2	3
Central	**60**	46	21
	194	**165**	**107**

5. Non-trading items

	2008 **£m**	Re-presented 2007 £m	Re-presented 2006 £m
Net (loss)/profit on disposal of subsidiaries and brands	**(6)**	17	(21)
Profit/(loss) on disposal of investments	**3**	—	(3)
Profit on disposal of land and buildings	**4**	—	22
Loss on impairment of land and buildings	**—**	(12)	—
Write down to recoverable value of asset held for sale	**—**	(41)	—
Gain on rebuild of buildings	**—**	38	25
	1	**2**	**23**

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 and 2006 relates to the £38 million (2006: £25 million) insurance proceeds received to rebuild the Pontefract factory in the UK, which was part of the Monkhill assets held for sale at 31 December 2007.

In 2007, the net profit on disposal of subsidiaries and brands primarily relates to the £20 million profit on disposal of Cottees, an Australian food business, as part of the non-core disposal programme.

In 2006, the loss on disposal of subsidiaries and brands consists primarily of a write-down to recoverable amount of £19 million relating to non-core confectionery businesses which were held for sale at 31 December 2006.

In 2006, the profit on disposal of land and buildings principally relates to the £17 million profit arising from the sale of a UK distribution centre.

6. Profit from operations

Profit from operations for continuing operations is after charging:

		2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
Research and product development		**69**	59	66
Depreciation of property, plant and equipment	— owned assets	**151**	127	136
	— under finance leases	**10**	11	11
Amortisation of definite life acquisition intangibles		**4**	5	5
Impairment of goodwill		**—**	13	14
Amortisation of software intangibles		**31**	30	28
Maintenance and repairs		**78**	60	72
Advertising and promotional marketing		**584**	487	463
Impairment of trade receivables		**12**	5	3

There were net foreign exchange gains of £nil recognised within profit from operations in 2008 (2007: £6 million gain, 2006: £3 million gain).

Analysis of profit from operations for discontinued operations is given in Note 31(c).

Auditors' remuneration

	2008 Continuing £m	2008 Discontinued £m	2008 Total £m	Re-presented 2007 Continuing £m	Re-presented 2007 Discontinued £m	Re-presented 2007 Total £m	Re-presented 2006 Continuing £m	Re-presented 2006 Discontinued £m	Re-presented 2006 Total £m
Audit services									
— for the audit of the Company's annual accounts	**1.0**	**—**	**1.0**	1.0	—	1.0	0.7	—	0.7
— for the audit of the Company's subsidiaries	**3.7**	**0.2**	**3.9**	3.3	1.7	5.0	2.6	1.7	4.3
— services pursuant to Sarbanes-Oxley s404 legislation	**—**	**—**	**—**	—	—	—	1.7	—	1.7
Total audit fees	**4.7**	**0.2**	**4.9**	**4.3**	**1.7**	**6.0**	**5.0**	**1.7**	**6.7**
Other services pursuant to legislation	**0.2**	**1.4**	**1.6**	0.3	2.6	2.9	0.9	—	0.9
Tax services	**0.2**	**—**	**0.2**	0.3	—	0.3	0.7	—	0.7
Corporate finance services	**—**	**0.4**	**0.4**	—	0.4	0.4	0.6	—	0.6
Other services	**0.8**	**—**	**0.8**	0.2	—	0.2	0.1	—	0.1
Total non-audit fees	**1.2**	**1.8**	**3.0**	0.8	3.0	3.8	2.3	—	2.3
Auditors' remuneration	**5.9**	**2.0**	**7.9**	**5.1**	**4.7**	**9.8**	**7.3**	**1.7**	**9.0**

In 2008 and 2007, services pursuant to Sarbanes-Oxley s404 legislation are integrated in the audit service remuneration.

Other services pursuant to legislation primarily relates to shareholder/debt circular work related to the demerger of the Americas Beverages business and assurance regarding the half year review.

The nature of tax services comprises corporation tax advice and compliance services and amounts payable in relation to advice and compliance services on personal tax for expatriates.

7. Employees and emoluments

	2008	Re-presented 2007	Re-presented 2006
Emoluments of employees, including Directors, comprised:			
Wages and salaries	**893**	830	783
Social security costs	**111**	103	102
Post-retirement benefit costs (see Note 25)	**64**	80	73
Share-based payments (see Note 26)	**35**	41	33
Continuing operations	**1,103**	**1,054**	**991**

	2008	Re-presented 2007	Re-presented 2006
Average employee headcount:			
Britain and Ireland	**5,793**	7,087	7,223
Middle East and Africa	**5,685**	6,974	7,086
Europe	**9,603**	9,099	9,148
North America	**8,682**	8,876	8,927
South America	**5,486**	5,608	5,641
Pacific	**4,973**	5,675	5,475
Asia	**5,574**	6,361	6,136
Central	**721**	805	761
Continuing operations	**46,517**	**50,465**	**50,397**

Emoluments of employees including Directors, of discontinued operations totalled £260 million (2007: £582 million, 2006: £494 million), giving a total for the Group of £1,363 million (2007: £1,636 million, 2006: £1,485 million). The average employee headcount of discontinued operations totalled 8,227 (2007: 21,192, 2006: 16,614). Further details of discontinued operations are given in Note 31(b).

8. Directors’ remuneration

The information required by the Companies Act 1985 and the Listing Rules of the Financial Services Authority is contained in Item 6 on Form 20-F.

9. Investment revenue

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
Interest on loans and receivables			
Interest on bank deposits	**25**	26	23
Post retirement employee benefits	**27**	30	27
Investment revenue	**52**	**56**	**50**

10. Financing costs

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £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	92
Commercial paper	**29**	52	27
Other interest			
Interest on unwind of discounts on provisions	**3**	—	—
Financing costs	**50**	**88**	**119**

Total interest on financial instruments that are not recognised at fair value through the income statement was £134 million (2007: £99 million, 2006: £119 million).

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

11. Taxation

Analysis of charge in period	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
Current tax — continuing operations:			
— UK	**—**	—	3
— Overseas	**(240)**	(99)	(76)
— Adjustment in respect of prior years	**(3)**	34	(12)
	(243)	(65)	(85)
Deferred tax — continuing operations:			
— UK	**(12)**	(5)	(20)
— Overseas	**192**	(42)	—
— Adjustment in respect of prior years	**33**	7	37
	213	(40)	17
Taxation — continuing operations	**(30)**	**(105)**	**(68)**

UK current tax is calculated at 28.5% (2007 and 2006: 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

In addition to the amounts recorded in the income statement, a deferred tax credit relating to post-retirement benefits and share awards and other short-term temporary differences totalling £97 million (2007: £42 million charge, 2006: £18 million charge) was recognised directly in equity. Deferred tax carried forward in the UK is calculated at 28% (2007: 28%, 2006: 30%).

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

	2008 %	Re-presented 2007 %	Re-presented 2006 %
Tax at the UK corporation rate	**28.5**	30.0	30.0
Tax effects of:			
Expenses not deductible in determining taxable profit	**6.0**	12.5	19.9
Income not taxable	**(6.3)**	(10.2)	(9.4)
Prior period adjustments	**(7.5)**	(16.2)	(10.1)
Different tax rates of subsidiaries operating in different jurisdictions	**3.7**	6.8	(3.7)
Transactions undertaken in preparation of the demerger of the Americas Beverages business[1]	**(16.8)**	2.1	—
Other	**0.6**	17.1	1.2
Share of result of associates	**(0.7)**	(0.8)	—
Effective tax rate for the year	**7.5**	**41.3**	**27.9**

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	2006 £m
Amounts recognised as distributions to equity holders in the period:			
Final dividend for the prior year of 10.5p (2007: 9.9p, 2006: 9.0p) per share	**222**	207	187
Interim dividend for the year of 5.3p (2007: 5.0p, 2006: 4.1p) per share	**73**	104	85
	295	**311**	**272**

At the year end date the final dividend had not been approved by the shareholders at the AGM and as such is not included as a liability. A final dividend for the year ended 31 December 2008 of 11.1 pence per share has been proposed, equivalent to a cash payment of approximately £150 million. The Company will not incur any tax charge upon payment of the proposed dividend.

The interim dividend payments made in 2008 relate to dividends paid on Cadbury plc shares, whereas other dividend payments relate to Cadbury Schweppes plc shares.

13. Earnings per share

Set out below are earnings per share figures for statutory earnings measure and underlying earnings. IAS 33 specifically permits the inclusion of an alternative component of earnings provided these are presented with equal prominence and a reconciliation is provided between the component used and the line item from the income statement.

(a) Basic EPS — continuing and discontinued

An explanation of the use of an alternative EPS measure is given in Note 1 (y). The reconciliation between reported and underlying EPS, and between the earnings figures used in calculating them, is as follows:

	Earnings 2008 £m	**EPS 2008 pence**	Earnings 2007 £m	EPS 2007 pence	Earnings 2006 £m	EPS 2006 pence
Reported — continuing and discontinued	**364**	**22.6**	**405**	**19.4**	**1,169**	**56.4**
Restructuring costs[1]	**203**	**12.6**	200	9.6	133	6.4
Amortisation and impairment of acquisition intangibles	**12**	**0.7**	42	2.0	38	1.8
Non-trading items	**(2)**	**(0.1)**	(2)	(0.1)	(671)	(32.3)
Contract termination gain	**—**	**—**	(31)	(1.5)	—	—
UK product recall	**—**	**—**	—	—	30	1.4
Nigeria adjustments	**—**	**—**	—	—	23	1.1
Demerger/disposal costs	**122**	**7.5**	40	1.9	—	—
IAS 39 adjustment	**(46)**	**(2.8)**	(4)	(0.2)	9	0.5
Effect of tax on above items[2]	**(168)**	**(10.4)**	(20)	(0.9)	(26)	(1.2)
Release of disposal tax provisions	**—**	**—**	—	—	(51)	(2.5)
Underlying — continuing and discontinued	**485**	**30.1**	**630**	**30.2**	**654**	**31.6**

1 Restructuring costs are made up of £194 million (2007: £165 million, 2006: £107 million) for continuing operations, £6 million (2007: £35 million, 2006: £26 million) for discontinued operations and £3 million (2007 and 2006: £nil) relating to the unwind of discounts on provisions recognised within financing costs.

2 Effect of tax on above items includes a £39 million credit (2007: £21 million charge, 2006: £nil) relating to certain reorganisations carried out in preparation for the demerger of the Americas Beverages business, a £44 million credit (2007 and 2006: £nil) relating to the recognition of deferred tax assets arising from the reassessment of capital losses and the tax basis of goodwill on the classification of Australia Beverages as an asset held for sale and in 2006 a £17 million deferred tax credit arising on the intra-group transfer of retained brands.

(b) Diluted EPS — continuing and discontinued

Diluted EPS has been calculated based on the reported and underlying earnings amounts above. The diluted reported and underlying EPS are set out below:

	2008 pence	2007 pence	2006 pence
Diluted reported — continuing and discontinued	**22.6**	19.2	55.9
Diluted underlying — continuing and discontinued	**30.0**	29.9	31.3

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

	2008 million	2007 million	2006 million
Average shares used in Basic EPS calculation	**1,611**	2,087	2,072
Dilutive share options outstanding	**3**	21	19
Shares used in diluted EPS calculation	**1,614**	**2,108**	**2,091**

Share options not included in the diluted EPS calculation because they were non-dilutive in the period totalled 3 million in 2008 (2007: nil, 2006: 1 million), as the exercise price of these share options was above the average share price for the relevant year.

(c) Continuing operations EPS

The reconciliation between reported continuing and underlying continuing EPS, and between the earnings figures used in calculating them, is as follows:

	Earnings 2008 £m	**EPS 2008 pence**	Re-presented Earnings 2007 £m	Re-presented EPS 2007 pence	Re-presented Earnings 2006 £m	Re-presented EPS 2006 pence
Reported — continuing operations	**368**	**22.8**	**147**	**7.0**	**180**	**8.7**
Restructuring costs[1]	**197**	**12.2**	165	7.9	107	5.1
Amortisation and impairment of acquisition intangibles	**4**	**0.2**	18	0.9	19	0.9
Non-trading items	**(1)**	**—**	(2)	(0.1)	(23)	(1.0)
UK product recall	**—**	**—**	—	—	30	1.4
Nigeria adjustments	**—**	**—**	—	—	23	1.1
IAS 39 adjustment	**(41)**	**(2.5)**	(5)	(0.2)	4	0.2
Effect of tax on above items[2]	**(126)**	**(7.8)**	(16)	(0.8)	(41)	(2.0)
Underlying — continuing operations	**401**	**24.9**	**307**	**14.7**	**299**	**14.4**

1 Restructuring costs are made up of £194 million (2007: £165 million, 2006: £107 million) for continuing operations and £3 million (2007 and 2006: £nil) relating to the unwind of discounts on provisions recognised within financing costs.

2 Effect of tax on above items includes a £68 million credit (2007: £6 million charge, 2006: £nil) relating to certain reorganisations carried out in preparation for the demerger of the Americas Beverages business.

Diluted continuing EPS has been calculated based on the reported continuing and underlying continuing earnings amounts above. A reconciliation between the shares used in calculating basic and diluted EPS is set out above. The diluted reported and underlying earnings per share from continuing operations are set out below:

	2008 pence	2007 pence	2006 pence
Diluted reported — continuing operations	**22.8**	7.0	8.6
Diluted underlying — continuing operations	**24.8**	14.6	14.3

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

14. Goodwill

	£m
Cost	
At 1 January 2007	2,502
Exchange differences	78
Recognised on acquisition of subsidiaries	257
Transferred to assets held for sale	(1)
Derecognised on disposal	(3)
At 31 December 2007	**2,833**
Exchange differences	381
Fair value adjustments on acquisition of subsidiaries	(8)
Transferred to assets held for sale	(19)
Demerger of Americas Beverages (see Note 31)	(871)
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 & 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 business. The US & Canadian Confectionery and Northern Latin America Confectionery goodwill arose principally from the Adams acquisition in 2003. The Turkey goodwill arose from the acquisitions of Intergum, Kent and Adams.

15. Other intangible assets

	Brand intangibles £m	Franchise intangibles and customer relationships £m	Total acquisition intangibles £m	Software £m
Cost				
At 31 January 2007	2,900	400	3,300	230
Exchange differences	33	(5)	28	5
Recognised on acquisition of subsidiaries	115	11	126	—
Additions	—	—	—	30
Disposals	—	(8)	(8)	—
Transfers to assets held for sale	—	—	—	(1)
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 acquistions	—	(3)	(3)	—
Demerger of Americas Beverages	(1,713)	(397)	(2,110)	(135)
Transfer 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 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**

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.

16. Property, plant and equipment

(a) Analysis of movements

	Land and buildings £m	Plant and equipment £m	Assets in course of construction £m	Total £m
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 acquisitions of subsidiaries	53	34	—	87
Transfers on completion	20	207	(227)	—
Transfers to assets held for sale	(19)	(29)	(68)	(116)
Disposals	(10)	(46)	—	(56)
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 on acquisitions	(7)	(5)	—	(12)
Transfers on completion	93	249	(342)	—
Disposals	(9)	(87)	—	(96)
Demerger of Americas Beverages	(197)	(465)	(90)	(752)
Transfers to assets held for sale	(47)	(187)	(19)	(253)
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**

(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).

17. Investment 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

	Total £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)

18. Investments

	2008 £m	2007 £m
Available for sale investments	**2**	2

The investments included above represent investments in equity securities that present the Group with opportunity for returns through dividend income and trading gains. They have no fixed maturity or coupon rate. The securities have been recorded at fair value.

19. Inventories

	2008 £m	2007 £m
Raw materials and consumables	**228**	255
Work in progress	**92**	69
Finished goods and goods for resale	**447**	497
	767	**821**

The cost of inventories recognised as an expense for the period ended 31 December 2008 total £2,870 million (2007: £2,504 million).

20. Trade and other receivables

	2008		2007	
	Current £m	**Non-current £m**	Current £m	Non-current £m
Trade receivables	**835**	**—**	997	—
Less: provision for impairment of trade receivables	**(46)**	**—**	(45)	—
	789	**—**	952	—
Amounts owed by associated undertakings	**1**	**—**	1	—
Other taxes recoverable	**75**	**—**	60	—
Other debtors	**121**	**28**	82	50
Prepayments and accrued income	**81**	**—**	102	—
	1,067	**28**	**1,197**	**50**

The Directors consider that the carrying amount of trade and other receivables approximates their fair value. Trade receivables are primarily denominated in the functional currency of the relevant Group reporting company. Trade receivables are categorised as loans and receivables under IAS 39.

In determining the recoverability of the trade receivable, the Group considers any change in the credit quality of the receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for impairment of trade receivables.

The movement on the provision for impairment of trade receivables is as follows:

	2008 £m	2007 £m
Balance at beginning of year	**45**	32
Exchange adjustments	**4**	4
Charged to profit and loss account	**15**	11
Acquisition of subsidiaries	**—**	13
Utilised	**(4)**	(15)
Demerger of Americas Beverages	**(13)**	—
Transfer to assets held for sale	**(1)**	—
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**

21. Assets held for sale

	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.

22. Trade and other payables

	2008		2007	
	Current £m	**Non-current £m**	Current £m	Non-current £m
Trade payables	**586**	**—**	640	—
Amounts owed to associated undertakings	**—**	**—**	3	—
Payments on account	**—**	**—**	1	—
Interest accruals	**31**	**9**	35	—
Other taxes and social security costs	**100**	**—**	102	—
Accruals and deferred income	**561**	**—**	597	—
Other payables	**273**	**52**	323	37
	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.

23. Provisions

	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)
Transfer of onerous contract provisions	(56)	—	56	—
Indemnities arising on demerger	—	117	—	117
Utilised in the year –cash – continuing	(154)	—	(2)	(156)
Utilised in the year –cash – discontinued	(16)	—	—	(16)
Utilised in the year -non-cash	(9)	—	—	(9)
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.

24. Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Group, and the movements thereon, during the current and prior reporting periods.

	Accelerated tax depreciation £m	Acquisition intangibles £m	Retirement benefit obligations £m	Losses £m	Other £m	Total £m
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.

25. Retirement benefit obligations

The Group has various pension schemes throughout the world and these cover a significant proportion of current employees. The principal schemes are of the funded defined benefit type, with benefits accruing based on salary and length of service. The schemes' assets are held in external funds administered by trustees and managed professionally. Regular assessments are carried out by independent actuaries and the long-term contribution rates decided on the basis of their recommendations, after discussions with trustees and the plan sponsor.

There are also a number of defined contribution schemes where benefits are limited to contributions.

In the UK, US, Canada and South Africa, the Group has certain post-retirement medical benefit schemes whereby the Group contributes towards medical costs for certain retirees. These contributions are paid only for retirees who were members of such medical schemes before retirement.

An analysis of the Group post-retirement cost included in profit from operations in the continuing Group is set out below:

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
UK defined benefit schemes	**30**	45	37
Overseas defined benefit schemes	**18**	21	27
Overseas defined contribution schemes	**16**	14	9
Total	**64**	**80**	**73**

Of the charge for the year, in respect of defined benefit schemes, recorded within profit from operations, £29 million (2007: £33 million, 2006: £34 million) has been included in cost of sales, £19 million (2007: £33 million, 2006: £30 million) has been included in Administrative expenses. Expected return on assets net of unwind of discount of £27 million (2007: £30 million, 2006: £27 million) has been recorded in Investment revenue from continuing operations and a £2 million charge (2007: £1 million charge, 2006: £2 million charge) has been recorded within discontinued operations. Actuarial gains and losses have been reported in the Statement of recognised income and expense.

An amount of £9 million (2007: £19 million, 2006: £17 million) has been recognised in profit in respect of discontinued operations and therefore, the total Group post retirement cost included in profit from operations is £73 million (2007: £99 million, 2006: £90 million). Of the charge in respect of discontinued operations, £4 million (2007: £9 million, 2006: £7 million) relates to defined benefit schemes.

Main financial assumptions as at year end:

	2008 % 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 aged 45)	- male	**27.2**	26.1
	- female	**30.2**	28.8

The market value of the assets and liabilities of the defined benefit schemes and post-retirement medical benefit schemes as at 31 December 2008 are as follows:

	UK schemes expected rate of return %	Overseas schemes expected rate of return %	UK pension schemes market value £m	Overseas pension schemes market value £m	Post-retirement medical benefits market value £m	Total all schemes £m
Equities	**8.0**	**7.0-8.5**	**746**	**259**	**—**	**1,005**
Bonds	**4.7**	**4.75-5.5**	**933**	**183**	**—**	**1,116**
Property	**7.0**	**5.6-6.9**	**102**	**31**	**—**	**133**
Other	**3.8**	**4.25-4.8**	**—**	**15**	**—**	**15**
	6.2	**6.3**	**1,781**	**488**	**—**	**2,269**
Present value of benefit obligations			**(1,779)**	**(715)**	**(33)**	**(2,527)**
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)**

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.

26. Share-based payments

The continuing Group recognised an expense of £35 million (2007: £41 million, 2006: £33 million) related to equity-settled share-based payment transactions during the year and an amount of £2 million (2007: £8 million, 2006: £9 million) in respect of discontinued operations.

As previously described in Note 1(c), pursuant to the Scheme of Arrangement prior to the demerger of the Americas Beverages business, Cadbury Schweppes plc shareholders received 64 Cadbury plc ordinary shares and 12 DPSG shares for every 100 Cadbury Schweppes ordinary shares held. As a consequence, share options and awards were recalculated to ensure that in the new structure they had an equivalent value at the point of exchange (being 2 May 2008) to the original share options and awards.

The continuing operations expense of £35 million (2007: £41 million, 2006: £33 million) has been recognised in the primary segments as follows:

	2008 £m	2007 £m	2006 £m
Britain and Ireland	**5**	4	4
Middle East and Africa	**1**	1	1
Europe	**2**	2	3
North America	**6**	6	7
South America	**—**	—	1
Pacific	**1**	2	2
Asia	**1**	1	1
Central	**19**	25	14
	35	**41**	**33**

The Group has a number of share option plans that are available to Board members and certain senior executives: the Long Term Incentive Plan (LTIP), the Bonus Share Retention Plan (BSRP) and the Discretionary Share Option Plans (DSOP), full details of which are included in Item 6 on pages 81 to 84. The Group also operates share option schemes in certain countries which are available to all employees. Options are normally forfeited if the employee leaves the Group before the options vest. The Group has an International Share Award Plan (ISAP) which is used to reward exceptional performance amongst employees.

An expense is recognised for the fair value at the date of grant of the estimated number of shares that will be awarded to settle the options over the vesting period of each scheme.

Share award fair values

The fair value is measured using the valuation technique that is considered to be the most appropriate to value each class of award: these include Binomial models, Black-Scholes calculations and Monte Carlo simulations. These valuations take into account factors such as non-transferability, exercise restrictions and behavioural considerations. Key fair value and other assumptions are detailed below:

	Schemes granted in 2008			
	BSRP	LTIP	ISAP	Sharesave
Expected volatility	n/a	19%	n/a	20%
Expected life	3 yrs	3 yrs	1-3 yrs	Vesting + 5 months
Risk free rate	2.2%	n/a	2.7%-5.1%	4.0%-4.9%
Expected dividend yield	3.3%	2.5%	2.6%-3.3%	2.4%-2.8%
Fair value per option (% of share price at date of grant)	179.2%[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%[2]	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 81 to 84 of Item 6.

	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 Company's share price over the previous 3 years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The BSRP is available to a group of approximately 120 senior executives including the executive Directors. The maximum number of shares awarded in 2008 was 2,895,265 (2007: 3,367,459). 998,489 shares vested in 2008 (2007: 1,531,921). Also during the period, matching awards were made over 756,023 shares (2007: 1,706,860). The fair value of the shares under the plan is based on the market price of the Company's ordinary shares on the date of the award. Where the awards do not attract dividends during the vesting period, the market price is reduced by the present value of the dividends expected to be paid during the expected life of the awards. Awards made under this scheme are classified as equity settled. The expense recognised in continuing operations in respect of these awards was £14 million (2007: £16 million, 2006: £6 million).

Around 120 senior executives (including the executive Directors) are granted a conditional award of shares under the LTIP. The number of shares awarded in respect of 2008 is 2,202,461 (2007: 3,055,676). 1,136,648 shares vested in 2008 (2007: 1,197,124) and lapsed shares totalled 431,506 (2007: 2,693,989). Awards made under this scheme are classified as equity settled. The expense recognised in continuing opearations in respect of these awards was £10 million (2007: £5 million, 2006: £5 million).

Following the decision to cease granting discretionary options other than in exceptional circumstances, the ISAP is now used to grant conditional awards to employees, who previously received discretionary options. Around 2,000 employees were granted a total of 1,951,900 such awards in 2008 (2007: 2,258,795). Awards under this plan are classified as equity settled. There were 1,217,700 (2007: 333,120) lapses in the year. The expense recognised in continuing operations in respect of these awards was £6 million (2007: £6 million, 2006: £4 million).

DSOP and share save plans, details of which are set out below, resulted in a charge of £5 million in continuing operations in 2008 (2007: £14 million, 2006: £18 million).

2008: Details of the share option plans are as follows:

Options in Cadbury Schweppes plc

	Balance outstanding at the beginning of the year	Granted	Exercised	Cancelled	Balance outstanding at the end 1/05/2008	Exercise prices for options outstanding at 01/05/2008 in the range (in £ unless otherwise stated)	Weighted average exercise price of options outstanding at 01/05/2008 (in £ unless otherwise stated)	Weighted average contractual life in months of options outstanding at 01/05/2008	Exercisable at 01/05/2008	Weighted average exercise price of options currently exercisable at 01/05/2008 (in £ unless otherwise stated)
a	10,200,449	3,627[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.

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 78. 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.

(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	$10.04
Cadbury plc 2008 US Employees Share Option Plan:	$9.64	—	$9.64
Cadbury Schweppes plc Americas Employees Share Option Plan 2005:	—	$10.39	$10.39
Cadbury plc 2008 Americas Employees Share Option Plan:	$9.64	—	$9.64

The weighted average share price during the year was £6.11.

	2007		
	Options granted	Options exercised	Options lapsed
Cadbury Schweppes Savings-Related Share Option Scheme 1982:	£ 4.69	£3.44	£ 4.19
Cadbury Schweppes Share Option Plan 1994:	—	£4.10	£ 4.29
Cadbury Schweppes Share Option Plan 2004:	—	£4.40	£ 5.01
Cadbury Schweppes (New Issue) Share Option Plan 2004:	—	£4.40	£ 4.84
Cadbury Schweppes Irish Savings-Related Share Option Scheme:	£ 5.22	£3.48	£ 3.65
Cadbury Schweppes Irish AVC Savings-Related Share Option Scheme:	£ 5.22	£3.32	£ 3.76
Cadbury Schweppes International Savings-Related Share Option Scheme 1998:	£ 4.69	£3.21	£ 4.59
Cadbury Schweppes International Savings-Related Share Option Scheme 1998:	—	$6.23	$ 6.23
Cadbury Schweppes US Employees Share Option Plan 2005:	$ 9.67	$8.43	$ 8.56
Cadbury Schweppes Americas Employees Share Option Plan 2005:	$ 9.67	$8.44	$ 8.47
Cadbury Schweppes Asia Pacific Employee Share Acquisition Plan 2002:	—	£4.34	£ 4.34

The weighted average share price during the year was £6.15.

Awards under the BSRP, ISAP and the LTIP will normally be satisfied by the transfer of shares to participants by the trustees of the Cadbury Schweppes Employee Trust (the “Employee Trust”). The Employee Trust is a general discretionary trust whose beneficiaries include employees and former employees of the Group, and their dependants. The principal purpose of the Employee Trust is to encourage and facilitate the holding of shares in the Company by or for the benefit of employees of the Group. The Employee Trust may be used in conjunction with any of the Group’s employee share plans.

The Cadbury Schweppes Irish Employee Share Scheme (the “Irish Share Plan”)

From 14 June 2006 to 11 December 2007, 4 appropriations under the Irish Share Plan, a profit sharing plan, totalling 48,549 Cadbury Schweppes plc ordinary shares were made to eligible employees. The prices at which the shares were appropriated range from £5.11 to £7.06. As a result of the Scheme of Arrangement and the subsequent demerger of the Americas Beverages business, and following the sale of shares in both Cadbury plc and Dr Pepper Snapple Group, Inc. to pay fractional entitlements, there are 30,702 Cadbury plc ordinary shares and 5,605 Dr Pepper Snapple Group, Inc. shares being held by the Trustees of the Irish Share Plan. These shares will be released to the employees between 14 June 2009 and 11 December 2010.

The Cadbury plc 2008 Irish Employee Share Scheme (the “Irish Share Plan 2008”)

During 2008, 2 appropriations under the Irish Share Plan 2008, a profit share plan, totalling 26,774 Cadbury plc ordinary shares were made to eligible employees. The prices at which the shares were appropriated range from £5.451 to £6.281. The shares are held by the Trustees of the Irish Share Plan 2008, and will be released to the employees between 15 July 2011 and 23 December 2011.

27. Borrowings and Financial Instruments

(a) Borrowings

	2008		2007	
	Book value £m	**Fair value £m**	Book value £m	Fair value £m
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 (2007: £1 million). The security for the borrowings shown above as secured is by way of charges on the property, plant and equipment of Group companies concerned.

Disclosures relating to capital structure and borrowings can be found on page 47. Disclosures relating to treasury risk management policies can be found on page 52.

The fair values in the table above are quoted market prices or, if not available, values estimated by discounting future cash flows to net present value. For short term borrowings with a maturity of less than one year the book values approximate the fair values because of their short term nature. For non public long term loans, fair values are estimated by discounting future contractual cash flows to net present values using current market interest rates available to the Group for similar financial instruments as at year end. The table contains fair values of debt instruments based on clean prices excluding accrued interest.

The Notes listed above are issued out of the Group's US Debt Programme and Euro Medium Term Notes Programme. Both programmes are subject to standard debt covenants requiring all debt to be ranked pari passu. Both Programmes contain customary negative pledge and cross default clauses. The Group is currently in compliance with these requirements.

The 5.125% USD Notes due 2013 are callable at the issuer's option. These Notes are redeemable at the higher of 100% of the face value of the Notes or the net present value of the remaining cash flows using a discount factor comprised of the US Treasury rate plus 25 basis points respectively.

The interest rates on the Notes in the above table do not take into account the various interest rate swaps and cross currency swaps entered into by the Group. Details of the Group's currency and interest rate risk management instruments are contained below.

The Group's borrowing limit at 31 December 2008 calculated in accordance with the Articles of Association was £12,975 million (2007: £14,575 million).

Interest on bank loans is at rates which vary in accordance with local inter-bank rates. The amount of non-interest bearing loans is negligible.

(b) Financial instruments – derivatives

The Group's approach to treasury risk management is set out on pages 52 to 55 of the financial review and includes details of the credit risk, liquidity risk and market risk which the Group is currently exposed to and the methods used to manage these risks.

The fair value of interest rate and currency derivative assets was £268 million (2007: £46 million). The fair value of interest rate and currency derivative liabilities was £169 million (2007: £22 million).

The fair values of derivative instruments are based on the estimated amount the Group would receive or pay if the transaction was terminated. For currency and interest rate derivatives, fair values are calculated using standard market calculation conventions with reference to the relevant closing market spot rates.

Interest rate derivatives

The Group uses interest rate swaps to manage the interest rate profile of its borrowings. As at 31 December 2008 the Group had a €100 million interest rate swap paying interest at a fixed rate of 3.64% and receiving interest based on 6 month Euro LIBOR rates. The swap matured in January 2009. The Group had a £100 million interest rate swap receiving fixed interest at 4.875% and paying floating interest based on 6 month Sterling LIBOR rates. The swap matures in August 2010. Finally, the Group had interest rate swaps, maturing in July 2018 with a nominal value of £350 million that receive interest at 7.25% and pay interest based on 6 month Sterling LIBOR rates.

As at 31 December 2007 the Group had a €100 million interest rate swap paying interest at a fixed rate of 3.64% and receiving interest based on 6 month Euro LIBOR rates maturing in 2010 and a £100 million interest rate swap receiving fixed interest at 4.875% and paying floating interest based on 6 month Sterling LIBOR rates maturing in 2010. The Group also had interest rate swaps with a nominal value of $300 million paying interest at 3.65%, receiving interest based on 3 month Sterling LIBOR, maturing in 2008 and a €100 million interest rate swap paying interest at 3.8% and receiving interest based on 6 month Euro LIBOR, maturing in 2008.

As at 31 December 2007 the Group also had cross currency swaps with a nominal value of 58 million Singapore dollars borrowing in US dollars and depositing in Singapore dollars. Fixed interest was received in Singapore dollars at 3.86% and paid in US dollars based on 6 month US dollar LIBOR. The Group also had a deposit Japanese Yen, borrow US dollars cross currency swap, with a nominal value of 3 billion Japanese Yen, receiving fixed interest in Japanese Yen at 1% and paying interest based on 3 month US dollar LIBOR. The cross currency swaps matured in 2008.

Embedded derivatives

The Group has reviewed all contracts for embedded derivatives that are required to be separately accounted for if they do not meet certain requirements set out in IAS 39. As at 31 December 2008, the fair value of embedded derivatives was an asset of £0.7 million (2007: £0.3 million). This relates to foreign exchange forward contracts embedded within certain procurement contracts with maturities of between one and two years. Amounts recorded in the income statement are included within those disclosed in Note 10 to the financial statements.

(c) Financial instruments – assets

Cash and cash equivalents comprise cash held by the Group whilst short-term investments held by the Group are in the form of bank deposits and money market fund deposits. The carrying amount of these assets approximates to their fair value. Cash and cash equivalents and short-term investments are categorised as loans and receivables under IAS 39. At year end, there was £118 million (2007: £142 million) cash and cash equivalents and short-term investments held by subsidiary companies that cannot be remitted to the Company.

28. Capital and reserves

(a) Share capital of Cadbury plc

	2008 £m
Authorised share capital:	
Ordinary shares (2,500 million of 10p each)	**250**
Allotted, called up and fully paid share capital:	
Ordinary shares (1,361 million of 10p each)	**136**

The Company has one class of ordinary share which carry no right to fixed income.

During the period from 1 January 2008 to 7 May 2008, 4,939,337 ordinary shares of 12.5p in Cadbury Schweppes plc, the previous parent company of the Group, were allotted and issued upon the exercise of share options, with a nominal value of £0.6 million.

On 11 April 2008 shareholders in Cadbury Schweppes plc approved a special resolution allowing the Company to issue one deferred share of 12.5p in Cadbury plc, and a Scheme of Arrangement whereby with the sanction of the High Court, the capital of the Company was reduced from £400,000,000 divided into 3,199,999,999 ordinary shares of 12.5p each and one deferred share of 12.5p to £135,744,028.625 divided into 1,085,952,228 ordinary shares of 12.5p each and one deferred share of 12.5p by cancelling all the issued ordinary shares. The same Scheme of Arrangement then increased the capital of the Company back to £400,000,000 divided into 3,199,999,999 ordinary shares of 12.5p each and one deferred share of 12.5p by authorising and issuing the same number of new ordinary shares of 12.5p each.

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

In return for the cancellation of their Cadbury Schweppes plc ordinary shares, shareholders received 64 ordinary 500p shares and 36 beverage 500p shares in Cadbury plc for every 100 ordinary shares previously held in Cadbury Schweppes plc. The beverage shares were then cancelled via a court sanctioned reduction of capital and shareholders received shares in Dr Pepper Snapple Group, Inc. at a ratio of three for one on 7 May 2008 when the Americas Beverages business was demerged. The share capital of Cadbury plc reduced from £17,500,050,000 divided into 2,500,000,000 ordinary shares of 500p each, 1,000,000,000 beverage shares of 500p, 49,998 redeemable preference shares of £1 each and 2 deferred shares of £1 each, to £250,000,000 divided into 2,500,000,000 ordinary shares of 10p each.

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) Nature of capital and reserves

At 31 December 2008, the Group held 10 million (2007: 17 million) of own shares purchased by the Cadbury Employee Trust for use in employee share plans. During 2008, an additional £47 million of the Company's shares were purchased by the Trust (2007: £70 million).

During 2008, the Company received £38 million (2007: £56 million) on the issue of shares in respect of the exercise of options awarded under various share option plans.

The capital redemption reserve arose on the redemption of preference shares in 1997.

At 31 December 2008 the hedging and translation reserve comprises £443 million (2007: £(136) million) relating to all foreign exchange differences arising from the translation of the financial statements of foreign operations and £(2) million (2007: £(3) million) relating to hedging items.

The acquisition revaluation reserve arose on the step acquisition of former associates to subsidiaries in 2006. It represents the increase in the fair value of assets acquired attributable to the previously owned share.

The demerger reserve arose in the year on demerger of the Americas Beverages business and the associated Scheme of Arrangement whereby Cadbury plc was inserted into the Group over the listed parent company, Cadbury Schweppes plc.

29. Minority interests

	2008 £m	2007 £m
Balance at beginning of year	**11**	8
Exchange rate adjustments	**1**	—
Acquisition minority interests	**(2)**	2
Share of profit after taxation	**2**	2
Dividends declared	**—**	(1)
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 interest has no contractual obligation to meet these liabilities, consequently no minority interest asset has been recognised.

30. Acquisitions

2008

The Group made no acquisitions in 2008.

In 2008, the Group has recorded adjustments to the opening balance sheet of Intergum, a Turkish confectionery company acquired on 31 August 2007 for initial consideration of £192 million. These adjustments are principally a reduction in consideration of £22 million relating to the finalisation of the purchase price and a reduction of £13 million in net assets reflecting the finalisation of property, plant and equipment fair values, which have caused the goodwill on acquisition to decrease by £9 million. In addition, the Group has recorded adjustments to the opening balance sheet of Kandia-Excelent which has increased goodwill by £1 million. The Group also paid a further £6 million during 2008 relating to additional acquisition costs of businesses acquired in 2007 of which £3 million had been accrued in 2007. The net impact of all adjustments made in the current year relating to 2007 acquisitions is summarised below.

	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.

	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. As described in note 38, on 12 March 2009 the group entered into a definitive sale and purchase agreement for the sale of Australia Beverages. In accordance with IFRS 5, “Non-current assets held for sale and discontinued operations” these businesses are classified as discontinued and the prior periods have been re-presented on a consistent basis. The re-presentation includes an allocation of the Group’s interest charge relating to the debt funding which was demerged with the Americas Beverage business.

In 2005, our beverages business in Europe was classified as discontinued and the disposal completed in 2006. In 2006, we announced and completed the disposal of our South Africa beverages business. As this disposal was part of our strategic decision to exit beverages outside the Americas and Australia, it was also classified as discontinued operations.

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

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
Revenue	**1,389**	**3,272**	**3,014**
- Americas Beverages	**951**	2,878	2,566
- Australia Beverages	**438**	394	378
- Other	**—**	—	70
Trading costs	**(1,211)**	(2,718)	(2,421)
Restructuring costs	**(6)**	(35)	(26)
Contract termination gain[1]	**—**	31	—
Non-trading items	**1**	—	17
Profit from operations	**173**	**550**	**584**
- Americas Beverages	**146**	526	562
- Australia Beverages	**27**	24	19
- Other	**—**	—	3
Share of result in associates	**—**	—	(1)
Profit before financing and taxation	**173**	**550**	**583**
Finance costs	**(45)**	(94)	(91)
Profit before taxation	**128**	**456**	**492**
Taxation	**(63)**	(152)	(143)
Demerger and disposal costs	**(104)**	(40)	—
Tax on demerger and disposal costs	**35**	(6)	—
Profit on disposal	**—**	—	631
Tax on profit on disposal	**—**	—	(42)
Release of disposal tax provisions	**—**	—	51
Net (loss)/profit from discontinued operations	**(4)**	**258**	**989**

1 The Contract termination gain recognised in 2007 represents the credit arising from amounts received in respect of the termination of a distribution agreement for Glacéau in the US. This credit relates to the amounts which would otherwise have been received through distribution of the product in 2008.

The profit on disposal in 2006 relates to the disposal of Europe Beverages on 2 February 2006 and South African Beverages on 1 August 2006.

(b) Employees and emoluments

	2008 £m	2007 £m	2006 £m
Emoluments of employees, including Directors, comprised:			
Wages and salaries	**235**	523	439
Social security costs	**14**	32	29
Post-retirement benefit costs	**9**	19	17
Share based payments	**2**	8	9
	260	**582**	**494**

	2008	2007	2006
Average employee headcount:			
Discontinued operations	**8,227**	21,192	16,614

(c) Profit from discontinued operations is after charging:

	2008 £m	2007 £m	2006 £m
Research and product development	**4**	9	11
Depreciation of property, plant and equipment - owned assets	**32**	71	58
- under finance leases	**1**	2	1
Amortisation of definite life acquisition intangibles	**8**	24	18
Impairment of goodwill	**—**	—	1
Amortisation of software intangibles	**7**	10	5
Maintenance and repairs	**12**	40	33
Advertising and promotional marketing	**92**	220	235
Impairment of trade receivables	**3**	6	2

There were net foreign exchange gains of £1 million recognised within profit from operations in 2008 (2007: £1 million gain, 2006: £nil).

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

(d) Financing costs

	2008 £m	2007 £m	2006 £m
Finance (gain)/loss arising on held for trading assets and liabilities			
Net (gain)/loss arising on derivatives (held for trading) not in a designated hedge relationship	**(5)**	2	6
Interest on other liabilities			
Bank and other loans	**49**	91	83
Post retirement employee benefits	**1**	1	2
	45	**94**	**91**

(e) Taxation

	2008 £m	2007 £m	2006 £m
Current tax — discontinued operations:			
- UK	**—**	—	(31)
- Overseas	**(156)**	(145)	(140)
- Adjustment in respect of prior year	**(2)**	(10)	59
	(158)	(155)	(112)
Deferred tax — discontinued operations:			
- UK	**8**	25	(29)
- Overseas	**123**	(19)	(2)
- Adjustment in respect of prior year	**(1)**	(9)	9
	130	(3)	(22)
Taxation from discontinued operations including tax on demerger costs	**(28)**	**(158)**	**(134)**

UK tax is calculated at 28.5% (2007 and 2006: 30%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The current year tax charge primarily represents tax on the Americas Beverages business.

No reconciliation of the tax rate for discontinued operations has been provided given the discrete nature of the balances.

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

	2008 £m	2007 £m	2006 £m
Net cash flows from operating activities	**33**	424	448
Net cash flows used in investing activities	**(240)**	(175)	(331)
Net cash flows from financing activities	**133**	—	—
	(74)	**249**	**117**

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

	Earnings 2008 £m	EPS 2008 pence	Earnings 2007 £m	EPS 2007 pence	Earnings 2006 £m	EPS 2006 pence
Reported	**(4)**	**(0.2)**	**258**	**12.4**	**989**	**47.7**
Restructuring costs	**6**	**0.4**	35	1.7	26	1.3
Amortisation and impairment of acquisition intangibles	**8**	**0.5**	24	1.1	19	0.9
Non-trading items	**(1)**	**(0.1)**	—	—	(17)	(0.8)
Contract termination gain	**—**	**—**	(31)	(1.5)	—	—
IAS 39 adjustment	**(5)**	**(0.3)**	1	—	5	0.3
Demerger and disposal costs[2]	**122**	**7.5**	40	1.9	—	—
Profit on disposal of subsidiaries	**—**	**—**	—	—	(631)	(30.5)
Effect of tax on above items[1]	**(42)**	**(2.6)**	(4)	(0.1)	15	0.7
Release of disposal tax provisions	**—**	**—**	—	—	(51)	(2.5)
Underlying	**84**	**5.2**	**323**	**15.5**	**355**	**17.1**

1 Effect of tax on above items includes £29 million charge (2007: £15 million charge, 2006: £nil) relating to certain reorganisations carried out in preparation for the demerger of the Americas Beverages business, and £44 million credit (2007 and 2006: £nil) relating to the recognition of deferred tax assets relating to the reassessment of capital losses and the tax basis of goodwill on the classification of Australia Beverages as an asset held for sale. In 2006, includes £17 million deferred tax credit arising on the intra-group transfer of retained brands.

2 Includes £18 million (2007 and 2006: £nil) of finance costs associated with the demerger.

The diluted reported and underlying earnings per share from discontinued operations are set out below:

	2008 pence	2007 pence	2006 pence
Diluted reported	**(0.2)**	12.2	47.3
Diluted underlying	**5.2**	15.3	17.0

Diluted EPS has been calculated based on the reported and underlying earnings amounts above. A reconciliation between the shares used in calculating basic and diluted EPS from discontinued operations is included in Note 13.

(h) The major classes of assets and liabilities comprising the Discontinued Beverages operations are as follows:

	2008 Australia Beverages at 31 December 2008 £m	2008 Americas Beverages at demerger 7 May 2008 £m
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

(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	Re-presented 2006 £m
Within one year	**44**	35	40
Between one and five years	**140**	104	110
After five years	**94**	98	99
	278	**237**	**249**

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
Operating lease expenses charged in the income statement	**45**	**53**	**48**

33. Contingent liabilities and financial commitments

(a) Cadbury Holdings Limited, a subsidiary of the Company, has guaranteed borrowings and other liabilities of certain subsidiary undertakings, the amounts outstanding and recognised on the Group balance sheet at 31 December 2008 being £2,185 million (2007: £3,470 million). In addition, certain of the Company's subsidiaries have guaranteed borrowings of certain other subsidiaries. The amount covered by such arrangements as at 31 December 2008 was £1,693 million (2007: £2,017 million). Payment under these guarantees would be required in the event that the relevant subsidiary was unable to pay the guaranteed borrowings when due. These guarantees cover the Group's borrowings of £2,385 million (2007: £3,714 million) and have the same maturity.

(b) Subsidiary undertakings have guarantees and indemnities outstanding amounting to £18 million (2007: £7 million).

(c) The Group has given a number of indemnities on certain disposals including the demerger of the Americas Beverages business as to the ownership of assets and intellectual property, all outstanding tax liabilities, environmental liabilities and product liability claims. These may expire over a period of time up to the local statute of limitations although for ownership of assets and intellectual property these may be indefinite. Where appropriate the Group has made provisions for any liabilities which may crystallise.

(d) Credit risk represents the accounting loss that would be recognised at the reporting date if counterparties failed completely to perform as contracted. Concentrations of credit risk (whether on or off balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group does not have a significant exposure to any individual customer, counterparty, or to any geographical region. The Group conducts business with banks representing many nationalities, in most cases through offices and branches located in London and maintains strict limits over its exposure to any individual counterparty.

(e) Group companies are defendants in a number of legal proceedings incidental to their operations. The Group does not expect that the outcome of such proceedings either individually or in the aggregate will have a material effect on the Group's operations, cash flows or financial position.

34. Notes to the cash flow statement

Reconciliation of cash flow from operating activities

	2008 £m	Re-presented 2007 £m	Re-presented 2006 £m
Profit from operations			
- Continuing operations	**388**	278	328
- Discontinued operations	**173**	550	584
	561	**828**	**912**
Adjustments for:			
Depreciation, amortisation and impairment	**244**	290	270
Restructuring	**71**	82	50
Non-trading items	**(2)**	(2)	(40)
Post-retirement benefits	**(3)**	5	(1)
Additional funding of past service pensions deficit	**(30)**	(48)	(67)
Share compensation taken to reserves	**31**	29	40
IAS 39 adjustment	**53**	14	4
Other non-cash items	**3**	14	(7)
Operating cash flows before movements in working capital	**928**	**1,212**	**1,161**
Increase in inventories	**(32)**	(61)	(2)
(Increase)/decrease in receivables	**(40)**	77	50
Increase/(decrease) in payables	**2**	3	(64)
	858	**1,231**	**1,145**
Interest paid	**(165)**	(193)	(214)
Interest received	**26**	21	28
Demerger financing costs	**(53)**	—	—
Income taxes paid — excluding disposals	**(153)**	(235)	(256)
Income taxes paid — disposals	**(44)**	(12)	(83)
Net cash from operating activities	**469**	**812**	**620**

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 Distribuidora Mexico, SA de CV	(a)	Mexico	
Cadbury Adams Mexico, S de RL de CV	(a)	Mexico	
Cadbury Adams, SA	(a)	Venezuela	
Cadbury Adams USA LLC	(a)	US (i)	
Cadbury Stani Adams Argentina SA	(a)	Argentina (ii)	
Cadbury Adams Colombia SA	(a)	Colombia	
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 Limited	(c)	Ireland	
Berkeley Re Limited	(c)	Ireland	
Cadbury Holdings Ltd*	(c)	Great Britain	
Cadbury Schweppes Asia Pacific Pte Ltd	(c)	Singapore	
Cadbury Schweppes Finance plc	(c)	Great Britain	
Cadbury Netherlands International Holdings B.V.	(c)	Netherlands (i)	
Cadbury Schweppes Investments plc	(c)	Great Britain	
Cadbury Schweppes Overseas Ltd	(c)	Great Britain	
Cadbury Schweppes Treasury Services	(c)	Ireland (i)	
CS Confectionery Inc	(c)	US	
Vantas International Ltd*	(c)	Great Britain	

* Investment directly held by Cadbury plc

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

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

(a) Confectionery

(b) Beverages

(c) Other (including holding companies)

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

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

36. Related party transactions

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below.

Trading transactions

	Sales of goods			Purchases of goods		
	2008 £m	**2007 £m**	2006 £m	**2008 £m**	2007 £m	2006 £m
DPSUBG	**n/a**	n/a	55	**n/a**	n/a	8
EE	**n/a**	n/a	2	**n/a**	n/a	10
Meito Adams	**7**	4	6	**41**	40	39

	Amounts owed by related parties			Amounts owed to related parties		
	2008 £m	2007 £m	2006 £m	**2008 £m**	2007 £m	2006 £m
DPSUBG	**n/a**	n/a	n/a	**n/a**	n/a	n/a
EE	**n/a**	n/a	n/a	**n/a**	n/a	n/a
Meito Adams	**—**	1	1	**—**	3	3

DPSUBG — Dr Pepper/Seven Up Bottling Group, Inc — until 2 May 2006

EE — L'Europeenne D'Embouteillage SAS — sold on 2 February 2006

Remuneration of key management personnel

Key management of the Group are the Executive Directors and the CEC. Short term employee benefits expense relating to these individuals was £9 million (2007: £11 million, 2006: £9 million), post retirement benefits expense was £3 million (2007: £2 million, 2006: £2 million), termination benefits expense was £6 million (2007: £2 million, 2006: £nil) and share-based payments expense was £8 million (2007: 8 million, 2006: £10 million).

37. Foreign currency translation

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

	Average 2008	Average 2007	Average 2006	**Closing 2008**	Closing 2007	Closing 2006
US dollar	**1.85**	2.00	1.85	**1.46**	1.99	1.96
Canadian dollar	**1.96**	2.15	2.09	**1.78**	1.98	2.28
Australian dollar	**2.20**	2.39	2.44	**2.12**	2.27	2.49
Euro	**1.26**	1.46	1.47	**1.05**	1.36	1.48
South African rand	**15.23**	14.1	12.5	**13.72**	13.6	13.8
Mexican peso	**20.48**	21.8	20.0	**20.15**	21.7	21.1

The exchange rate for US dollars on the date of demerger of the Americas Beverages business was 1.98.

38. Events after the balance sheet date

On 23 January 2009, the Group obtained committed credit facilities totalling £300 million. This facility expires at the earlier of the disposal of Australia Beverages, capital market debt or equity issuance or 28 February 2010.

On 4 March 2009, the Group issued a £300 million bond that matures in 2014. On issuance of the bond the £300 million committed credit facilities expired.

The Group announced that it had entered into a conditional agreement with Asahi Breweries, Ltd ("Asahi") on 24 December 2008 to sell the Australia Beverages business and, as a result of this agreement, Australia Beverages was treated as a discontinued operation in the presentation of the results for 2008.

Subsequent to the balance sheet date, on 12 March 2009, the Group entered into a definitive sale and purchase agreement for the sale of the Australia Beverages business to Asahi for a total consideration in cash of approximately £550m (AUD1,185m). The agreement with Asahi is subject to normal closing conditions, which do not include financing or competition authority clearance conditions, and the Group expects that the pre-conditions to closing will have been satisfied by 30 April 2009.

39. Changes and proposed changes to generally accepted accounting principles

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

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

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

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.

The Group adopted IAS 1 (Revised), “Presentation of financial statements” on 1 January 2009. Upon adoption of the standard prior period financial statements were retrospectively restated. Accordingly, the effects of adoption of this standard have been reflected in these financial statements. The revised IAS 1 prohibits the presentation of items of income and expenses (that is, ‘nonowner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity. 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.

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.

FIRST HALF 2009 RESULTS

First Half Results £m	2009	Re-presented 2008[2]	Reported Currency Growth %	Constant Currency[3] Growth %
Revenue	**2,767**	**2,440**	**+13**	**+4**
Underlying Profit from Operations[1]	319	237	+35	+19
Restructuring & other non-underlying items	(118)	(99)		
Profit from Operations	**201**	**138**		
Underlying Profit before Tax[1]	262	212	+24	+11
Profit before Tax	**112**	**134**		
Underlying EPS Continuing Ops[1]	13.9p	8.0p		
Reported EPS Continuing Ops	**5.8p**	**8.5p**		
Reported EPS Continuing & Discontinued Ops	**23.1p**	**6.0p**		
Dividend per share	**5.7p**	**5.3p**	**+8**	

Notes

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 measures reported by other companies. It is not intended to be a substitute for, or superior to, IFRS measures of profit. A full reconciliation between underlying and reported measures is included in the segmental reporting and reconciliation of underlying measures note.

2 In accordance with IFRS 5, the Income Statement for the six months ended 30 June 2008 has been re-presented following the disposal of Australia Beverages.

3 Constant currency growth excludes the impact of exchange rate movements during the period. It is calculated by recomputing the current year results using the prior year exchange rates.

CONTINUING OPERATIONS

£m	H1 2008	Base Business[1]	Acq/ Disposals	Business Improvement Costs	Exchange	H1 2009
Revenue	**2,440**	96	(9)	-	240	**2,767**
- year-on-year change		+3.9%	-0.3%	-	+9.8%	**+13.4%**
Underlying Profit from Operations	**237**	44	1	-	37	**319**
- year-on-year change		+19%	-	-	+16%	**+35%**
Underlying Operating Margin[2]	**9.7%**	+140bps	+5bps		+35bps	**11.5%**

1 *Base business results are stated at constant currency and before acquisitions and disposals*

2 *Underlying Operating Margin is calculated by dividing Underlying Profit from Operations by Revenue.*

Cadbury delivered a good first half performance, despite a slow start to the year. Good growth in base business revenue and a strong improvement in margin generated significant increases in underlying operating profit and earnings per share. In addition, exchange rate movements increased revenue by 10% and underlying operating profit by 16%, adding 35 basis points (bps) to underlying operating margin.

Cadbury's **revenue** benefited from an improved trend in all three confectionery categories; growth in **chocolate** was strong throughout the half and both **gum** and **candy** reported positive growth in the second quarter. This was achieved despite cycling strong prior year comparatives, particularly for gum in the US and Europe, and for the Halls brand globally.

Overall base business revenue growth was 4%, reflecting price and mix benefits of around 6%. Cadbury continued to focus on eliminating product complexity through portfolio rationalisation, which, together with the effect of retail destocking (which was mainly in the US and limited to the first few months of the year) reduced revenue and volume for the half by around 1-2%.

Revenue Performance by Category

Overall, for the first half, as in the first quarter, our main chocolate markets delivered strong growth and good market share gains, particularly in the UK. Throughout the period, there was increased demand for chocolate and bagged candies, the expected beneficiaries of a stay-at-home culture. At the same time, despite a softer start to the year, the more functional or 'activity' related products, for example medicated candies and gum, started to deliver positive growth.

- **Chocolate** (45% of revenue in the half) delivered revenue growth of 10% (up 7% in the first quarter and 13% in the second quarter), reflecting strong performances in the UK, India and South Africa. Australia delivered progressively good growth with the business getting some early benefits from the relaunch of the core Cadbury Dairy Milk brand in the second quarter of the year.
- **Gum** (35%) revenue was unchanged in the first half (down 2% in the first quarter and up 2% in the second quarter). The improvement in the second quarter reflected strong growth across South America. At the same time, market share improved in key markets, with the exception of the US where a major programme of innovation is planned for the second half of the year.
- **Candy** (20%) revenue was unchanged in the first half (down 2% in the first quarter and up 2% in the second quarter), reflecting an improved performance from Halls, after a weak first quarter, and strong performances from mainstream candy brands in the US, Middle East and Africa, Japan and mainland Asia.

Revenue from our **focus brands** benefited from our strengthened global category model and increased focus on fewer, bigger initiatives. Within chocolate, Cadbury Dairy Milk and Creme Egg performed well but were outshone by strong growth in other seasonal products and countline innovations. In candy, The Natural Confectionery Co. and Eclairs both performed strongly. For Halls, the largest candy brand in the world, first half revenue declined overall, but improved in the second quarter after a slow start to the year. In gum, Trident, the world's largest gum brand,

grew well, reflecting strong growth in Brazil and other parts of Latin America. Hollywood grew market share but revenue declined as a result of the weak underlying French market.

Revenue Performance by Market

Our performance by market reflected the mix between chocolate, gum and candy, as described above, local market share gains and the relative impact of customer de-stocking. Market share progress was good overall. Based on the markets for which we have recent share data available, which represent nearly 85% of our revenue, we generated good market share growth in nearly 50% by revenue value, and held market share in a further 25%. Overall, our **focus markets** grew by 5% and **focus customers** by 6%.

- In **emerging markets** (38% of revenue in the half), revenue growth was good, up 7% in the half (up 6% in the first quarter, up 8% in the second quarter), led by strong performances in India, South Africa and South America. Trading in Russia and South East Asia, improved toward the end of the period with Russia delivering growth for the half overall.
- In **developed markets** (62%), revenue grew 2% with a much stronger second quarter (up 5%) offsetting the slow start to the year (first quarter unchanged), reflecting stronger growth in the UK and an improved performance in the US which together more than offset the effect of weak market conditions in Europe.

Profit Performance

First half **gross margin** was broadly unchanged at 47.1% (H1 2008: 47.3%). Supply chain cost savings and improved product mix offset the adverse category mix effect (resulting from the higher level of growth in chocolate) and the impact of weaker volumes on operational leverage. Although input cost inflation was covered by price realisation on an absolute basis, gross margin was still reduced by around 20bps.

During the first half, we maintained investment in **marketing,** with the business reinvesting the benefit of media rate deflation in other marketing activities. As a result, whilst the headline investment as a percentage of sales was down at 10.7% (H1 2008: 11.6%), the absolute level of spend at £271m was broadly unchanged (H1 2008: £282m).

Central costs fell by £9m to £52m, reflecting the benefit of *Vision into Action* cost reduction initiatives announced in October 2007 and October 2008, which progressively benefited central costs from June 2008 onwards. In the first half, central costs also benefited from timing differences on the recognition of project costs, particularly in IT, which will be reflected in the second half. As a result, we remain on track to deliver a full year reduction in central costs of around £15m.

As a result, **underlying operating margin** improved strongly, up 145bps in constant currency, increasing to 180bps at reported rates. The principal sources of improvement were savings arising from our *Vision into Action* cost saving programme (around 100bps) and the benefits arising from media deflation and re-phasing our marketing investment to support innovation in the second half (c.90bps). These were partially offset by reduced gross margins (c.20bps) and inflation and other income and expense items within SG&A (c.25bps).

A more detailed review of performance by business unit is included later in the release.

Vision into Action Update

In June 2007, we set out our *Vision into Action* business plan. This focuses resources and projects around three key priorities—growth, efficiency and capability - with the objective of simultaneously delivering strong revenue growth within our goal range whilst significantly improving our operating margins from around 10% to mid-teens by 2011.

During the first half of 2009, the core elements of our *“fewer, faster, bigger, better”* growth priority and investment in strengthened commercial capabilities continued to deliver good revenue growth and build a stronger pipeline of product innovation for 2010 onwards.

In March, we announced an agreement for Cadbury Dairy Milk in Britain and Ireland to become the first major chocolate brand to gain Fairtrade certification. Products carrying the Fairtrade label are already being manufactured and will be in store over the next few weeks. Focused on building consumer relevance, this initiative strengthens Cadbury Dairy Milk as a key advantaged, consumer preferred brand. At the same time it creates a sustainable supply of high quality cocoa and increases our commitment to Ghana.

In addition, we announced, started or completed a number of projects that will improve underlying operating margins in 2009, 2010 and 2011. Projects include:

- Closure of our Barcelona gum factory in Spain. This was completed in early July and will result in 160 people leaving the business by the end of the year.
- Consolidation of our Turkish manufacturing operations. The phased relocation of production from the former Intergum factory in Istanbul to our larger facility in Gebze is already underway and should be completed during the second half of the year.
- In July we commenced consultation on a new programme to improve efficiency and effectiveness of our chocolate manufacturing activities in Ireland; investment in new manufacturing processes, a reduction in headcount and the relocation of selected products to other Cadbury facilities will improve competitiveness and efficiency and create a sustainable manufacturing centre for Ireland.

Nearly all the restructuring projects in our *Vision into Action* business plan are now underway, and we remain confident that we will deliver savings in line with our original expectations.

Within restructuring, foreign exchange movements have impacted both the costs and benefits of various projects in the plan. As a result of this translation effect, it is likely both the reported currency costs and benefits will be higher. We have also changed our income assumptions from vacant property, reflecting changes in market conditions since the original assumptions were made in 2007. Taken together, these changes will increase restructuring costs by around £75m.

In addition, because of the strong economic headwinds in Europe the Board has approved a further one-off investment of £25m to accelerate completion of our ‘One Europe’ project, driving further integration of the management and decision making teams within the business. This will bring the total revenue investment in *Vision into Action* to £550m at current exchange rates (previously £450m at 2007 rates).

Performance by Business Unit

Except where stated, all movements are on a base business basis

Britain & Ireland

£m	H1 2008	Base Business	Acq/ Disposals	Business Improvement Costs	Exchange	H1 2009
Revenue	**565**	67	(9)	-	12	**635**
- year-on-year change		+11.9%	-1.6%	-	+2.1%	**+12.4%**
Underlying Profit from Operations	**58**	21	1	(2)	1	**79**
- year-on-year change		+36.2%	+1.7%	-3.4%	+1.7%	**+36.2%**
Underlying Operating Margin	**10.3%**	+220bps				**12.4%**

In **Britain & Ireland,** revenue grew by 12% in the first half of 2009. Growth was driven by a very strong performance from the UK business, in both standard and seasonal products. Standard product revenues benefited from significant underlying share gains and product innovations, including Wispa, Giant Buttons and the new bite-size Clusters, Peanuts and Raisins. Seasonal revenues benefited from a longer Easter selling period and strong share gains. Market conditions in Ireland remained challenging, with revenues down compared to the same period in 2008.

Underlying operating margins improved by 220bps, principally reflecting SG&A savings, logistics efficiencies and the benefit of leverage from improved volumes. However, gross margins did not improve in the half, despite pricing actions to recover significant cost inflation.

Middle East and Africa

£m	H1 2008	Base Business	Acq/ Disposals	Business Improvement Costs	Exchange	H1 2009
Revenue	**168**	19	-	-	24	**211**
- year-on-year change		+11.3%	-	-	+14.3%	**+25.6%**
Underlying Profit from Operations	**10**	9	-	(1)	4	**22**
- year-on-year change		+90%	-	-10%	+40%	**+120%**
Underlying Operating Margin	**6.0%**	+400bps				**10.4%**

In the **Middle East and Africa,** revenue grew by 11%, driven by strong performance across all categories and regions. In particular, South Africa delivered an excellent result with strong revenue growth. In addition, operations in Nigeria and Egypt continued to improve performance, helping deliver strong profit growth in the half with underlying operating margin up 400bps.

Europe

£m	H1 2008	Base Business	Acq/ Disposals	Business Improvement Costs	Exchange	H1 2009
Revenue	**496**	(26)	-	-	37	**507**
- year-on-year change		-5.2%	-	-	+7.4%	**+2.2%**
Underlying Profit from Operations	**35**	(18)	-	5	4	**26**
- year-on-year change		-51%	-	+14%	+11%	**-26%**
Underlying Operating Margin	**7.1%**	-310bps				**5.1%**

In **Europe,** revenue declined by 5% in the first half, notwithstanding an improved second quarter, after a difficult start to the year. Chocolate revenues were broadly unchanged, with Poland delivering good growth throughout the half, and gum and candy were down 5% and 11%

respectively. Second quarter revenues were only down 3% with an improved underlying trend emerging through the quarter, particularly in Russia and Turkey. Our business in Eastern Europe also delivered an improved performance toward the end of the period. The impact of reduced revenue exceeded the benefits of *Vision into Action* initiatives within the business and, as a result, underlying operating margin reduced by 310bps in the half.

Asia

£m	**H1 2008**	Base Business	Acq/ Disposals	Business Improvement Costs	Exchange	**H1 2009**
Revenue	**154**	19	-	-	25	**198**
- year-on-year change		+12.3%	-	-	+16.2%	**+28.5%**
Underlying Profit from Operations	**11**	7	-	-	2	**20**
- year-on-year change		+64%	-	-	+18%	**+82%**
Underlying Operating Margin	**7.1%**	+330bps				**10.1%**

In **Asia,** revenue grew 12%, driven by particularly strong growth in India and an improved performance in China. Revenue was down in South East Asia although recent product launches have been well received and should strengthen growth opportunities in the region. The strong margin improvement of 330bps reflected improved revenue and good cost management across the business, supplemented by an encouraging performance in China where losses were sharply reduced.

Pacific

£m	**H1 2008**	Base Business	Acq/ Disposals	Business Improvement Costs	Exchange	**H1 2009**
Revenue	**304**	10	-	-	38	**352**
- year-on-year change		+3.3%	-	-	+12.5%	**+15.8%**
Underlying Profit from Operations	**39**	2	-	(1)	7	**47**
- year-on-year change		+5.0%	-	-2.6%	+17.9%	**+20.5%**
Underlying Operating Margin	**12.8%**	+20bps				**13.4%**

In **Pacific,** revenue grew 3% in the first half. Growth in chocolate, the largest category for the business, was good. The business improved its share of the Australian and New Zealand confectionery markets as it started the re-launch of Cadbury Dairy Milk and benefited from growth in the chocolate category overall. In Japan, good growth in our acquired Xylicrystal candy (a Sansei brand) more than offset a modest decline in gum revenues as a local competitor continued to invest behind a new gum launch. Overall, underlying operating margin was broadly unchanged.

North America

£m	**H1 2008**	Base Business	Acq/ Disposals	Business Improvement Costs	Exchange	**H1 2009**
Revenue	**553**	(15)	-	-	110	**648**
- year-on-year change		-2.7%	-	-	+19.9%	**+17.2%**
Underlying Profit from Operations	**108**	3	-	(1)	25	**135**
- year-on-year change		+2.8%	-	-0.9%	+23.1%	**+25.0%**
Underlying Operating Margin	**19.5%**	+110bps				**20.8%**

In **North America,** revenue was down 3%, reflecting growth of 1% in the second quarter after a slow start to the year, held back by retail destocking in January (Q1 down 6%). Adjusting for

destocking, revenue in the half would have been unchanged. Modest declines in US gum market share in the half were partially offset by a strong share performance in Mexico and a good recovery in the second quarter in Halls. Other traditional candies also performed well. Underlying operating margin improved by 110bps, reflecting the full year benefit of restructuring carried out in 2008, partially offset by a lower gross margin, reflecting the mix effect of lower gum sales.

South America

£m	**H1 2008**	Base Business	Acq/ Disposals	Business Improvement Costs	Exchange	**H1 2009**
Revenue	**196**	23	-	-	(6)	**213**
- year-on-year change		+11.7%	-	-	-3.0%	**+8.7%**
Underlying Profit from Operations	**37**	8	-	-	(3)	**42**
- year-on-year change		+21.6%	-	-	-8.1%	**+13.5%**
Underlying Operating Margin	**18.9%**	+170bps				**19.7%**

In **South America,** growth remained strong with revenue up 12% in the first half. Growth in gum was very strong, led by an excellent performance from Trident across the region, particularly in Brazil. New products, pricing and improved mix all contributed to a good market share performance. As a result of good growth and increased SG&A efficiencies, underlying operating margin improved by 170bps.

DISCONTINUED OPERATIONS

Divestment of Cadbury’s beverages activities was concluded during the first half of 2009 with the completion of the Australia Beverages disposal on 3 April 2009. Proceeds of the sale, reflecting the gross consideration of £550m, have already been received. After costs and related restructuring charges, net proceeds of approximately £475m will be retained by the end of 2009*. Proceeds from the sale have been used to redeem the Euro 600m bond due in June 2009.

* Additional cash costs totalling around £20m are expected to be incurred as a result of separation activities in 2010 and 2011.

FINANCIAL REVIEW

£m	H1 2009	H1 2008 Re-presented[1]	Reported Currency Growth %	Constant Currency Growth %
Revenue	**2,767**	**2,440**	**+13**	**+4**
Underlying Profit from Operations	319	237	+35	+19
Restructuring & other non-underlying items				
- Restructuring costs	(105)	(70)		
- Amortisation and impairment of acquisition intangibles	(2)	(2)		
- Non-trading items	1	(6)		
- IAS 39 adjustment	(12)	(21)		
Profit from Operations	**201**	**138**		
Share of results in associates	3	4		
Underlying Net Financing[2]	(60)	(29)		
Net Financing	**(92)**	**(8)**		
Underlying Profit before Taxation	262	212	+24	+11
Profit before Taxation	**112**	**134**		
Underlying Taxation[3]	(73)	(62)		
Taxation	**(33)**	**26**		
Underlying profit for the period – continuing operations	189	150	+26	+13
Profit for the period – continuing operations	**79**	**160**		
Discontinued Operations				
- Americas Beverages	-	(53)		
- Australia Beverages	234	6		
Profit for the Period	**313**	**113**		
EPS - Continuing Operations				
- Underlying	13.9p	8.0p		
- Reported	**5.8p**	**8.5p**		
EPS - Continuing & Discontinued				
- Underlying	14.1p	12.6p		
- Reported	**23.1p**	**6.0p**		
Interim Dividend	**5.7p**	**5.3p**		
Free Cash Outflow[4]	**220**	**109**		
Net Debt[5]	**1.8bn**	**1.7bn**		

1 *In accordance with IFRS 5, the Income Statement for the six months ended 30 June 2008 has been re-presented following the disposal of Australia Beverages.*

2 *Underlying Net Financing is the total of Investment revenue and finance costs excluding the IAS 39 adjustment.*

3 *Underlying Taxation is the taxation on Underlying Profit from Operations and Underlying Net Financing and excludes other non-underlying tax resulting from tax matters which have been progressed during the year relating to UK tax matters (net £71 million credit) and overseas jurisdiction (£61 million charge).*

4 *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.*

5 *Net Debt is defined as total borrowings, less interest rate fair value hedging instruments, cash and cash equivalents and short term investments.*

Revenue at £2.8bn was 13% higher than last year at actual exchange rates. On a base business basis (excluding the impact of acquisitions, disposals and exchange rates), revenue grew by 4%.

Underlying Profit from Operations at £319m (H1 2008: £237m) was up 35%, or 19% at constant exchange rates, with underlying operating margin increasing by 180 bps to 11.5% or 145 bps at constant exchange rates. This was primarily as a result of the continued successful implementation of our *Vision into Action* business plan, phasing of marketing investment and the benefit of media deflation, partially offset by lower gross margins.

The charge in respect of business **restructuring costs** reported outside underlying operating profit was £105m (H1 2008: £70m). Included in this amount are restructuring charges relating to the *Vision into Action* business plan (£91m).

Amortisation and impairment of acquisition intangibles, charged against profit from operations, was £2m (H1 2008: £2m).

The gain on **non-trading items** of £1m (H1 2008 loss: £6m) relates primarily to gains on the sale of intellectual property.

Fair value accounting under IAS 39 contributed a charge of £12m (H1 2008: £21m) to our reported profit from operations due to the difference between market commodity prices and spot exchange rates compared to the hedge rates applied to the underlying results.

Profit from operations was up 46% at £201m (H1 2008: £138m). The Group's **share of result in associates** (net of interest and tax) was £3m, £1m less than in H1 2008.

Underlying net financing charge for the continuing Group, after reflecting a non-cash post retirement benefit charge of £3m (H1 2008 credit: £16m), at £60m was £31m higher than the prior year. Finance costs, excluding the post-retirement charge, increased from £45m to £57m, led by an increase in average net debt and exchange rate movements. The average net interest rate was 5.6% (H1 2008: 5.5%).

Reported **net financing** was a charge of £92m (H1 2008: £8m), with a non-underlying charge of £32m, primarily reflecting the impact of the IAS 39 financing adjustment.

Underlying profit before tax was up 24% to £262m as a result of the improved underlying operating performance. **Profit before tax** was £112m on a reported basis (H1 2008: £134m).

The **underlying tax rate** was down 1% at 28% (H1 2008: 29%). Reported tax was a charge of £33m (H1 2008: £26m credit), with a non-underlying credit of £40m. In addition to the tax effect of non-underlying items, this includes a tax credit of £10m consisting of a net £71m credit relating to UK tax matters and a £61m charge relating to tax matters which the Group has progressed with authorities in a number of overseas jurisdictions.

In total, non-underlying items contributed a loss of £110m to the **profit for the period from continuing operations** of £79m.

Discontinued operations in the year relate to the discontinued results of the Australia Beverages business, the sale of which was completed on 3 April 2009. Australia Beverages generated a profit of £234m of which £232m related to the gain on disposal and £2m to underlying trading through to the date of completion. A full income statement, including comparatives, for the discontinued businesses is included in note 9.

Earnings per share

Continuing operations underlying earnings per share were up 74% to 13.9p, principally as a result of the improved base business performance, the change in share structure following the demerger of Americas Beverages and exchange rates.

Total Group, in other words **continuing & discontinued, reported earnings per share** were 23.1p, up on H1 2008 (6.0p) principally due to the disposal of Australia Beverages.

The reduction in the post-retirement benefit credit had a significant impact on growth in earnings per share. Adjusting both the 2008 and 2009 figures for the respective post-retirement benefit credits and charges incurred would increase the constant currency growth in earnings per share to 22% and the reported currency growth to 37%.

Dividends

The Board has approved an interim dividend of 5.7p per share (H1 2008: 5.3p). This represents an increase of 8% over H1 2008. The interim dividend will be paid on 16 October 2009 to Ordinary Shareholders on the Register at the close of business on 18 September 2009.

Holders of Cadbury plc ordinary shares may reinvest their dividends in Cadbury plc shares by participating in the Dividend Reinvestment Plan ("DRIP"). Any new elections, or amendments to existing elections, must be received by the Registrar by 25 September 2009. Full terms and conditions of the plan are available from the Registrar.

Cash Flow

Free cash flow is the measure used by the Group for internal cash flow performance analysis and is the primary cash flow measure used by management. The Group believes 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 is defined as the amount of cash generated by the business after meeting all its obligations for interest, tax and minority dividends and after all capital investment excluding share sales or purchases by the Employee Trust.

	2009 unaudited £m	**2008 unaudited £m**
Net cash (outflow)/inflow from operating activities	**(130)**	**(2)**
Add back:		
Additional funding of past service pensions deficit	-	18
Demerger financing costs	-	53
Income taxes paid on disposals	71	36
Less:		
Net capital expenditure	(161)	(214)
Net associate and minority dividends	-	-
Free cash (outflow)/Inflow	**(220)**	**(109)**

Free cash outflow for the total Group was £220m compared with £109m in the first half of 2008. Of this, £216m (H1 2008: £127m) related to continuing operations and £4m (H1 2008: £18m outflow) related to discontinued operations.

The increase in the continuing group outflow of £89m, compared to the same period last year, reflects £84m of additional working capital, in part related to ongoing group restructuring activities, £40m of additional tax paid and £15m additional capital expenditure, partially offset by an additional £63m profit from continuing operations. Net capital expenditure for the ongoing confectionery business was £163m (H1 2008: £148m), which included around £66m related to our *Vision into Action* business plan (H1 2008: £47m).

Net Debt

The Group's definition of net debt is shown below:

	2009 unaudited £m	**2008 Full year Re-presented[1] £m**
Short term investments	98	108
Cash and cash equivalents	266	390
Short term borrowings and overdrafts	(729)	(1,189)
Obligations under finance leases – current	(1)	(1)
Borrowings – non current	(1,396)	(1,194)
Fair value of interest rate hedging instruments	(11)	-
Obligations under finance leases – non current	(1)	(1)
Net debt	**(1,774)**	**(1,887)**

[1] The prior period net debt analysis has been re-presented to reclassify certain amounts between cash and cash equivalents and short term investments (see note 1).

Net debt was £1.8bn, around £100m lower than that at the year end (£1.9bn), mainly reflecting the proceeds of the Australia Beverages disposal, partially offset by the higher free cash outflow and tax payments in respect of discontinued operations.

In March 2009 the Group issued a 5-year £300m bond with a coupon of 5.375% and in June 2009 refinanced its revolving credit facility with a new £450m 3-year programme. The Group has a strong programme of debt funding which, after redemption of a Euro 600m bond in June 2009, totals around £1.4bn, running through to 2018, with an average maturity of 5 years.

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, Uxbridge Business Park, Sanderson Road, Uxbridge UB8 1DH, UK 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.

Basis of Preparation

In accordance with IFRS 5, the income statement for the six months ended 30 June 2008 has been re-presented following the disposal of Australia Beverages. Ongoing business improvement costs of approximately 0.5% of revenue are included within underlying profit from operations as, although the impact on segmental profits may vary year on year, these are expected to be incurred at similar levels each year at a consolidated level as they relate to the maintenance of an efficient business. From 1 January 2009, the Group was reorganised into seven Business Units. Britain, Ireland, Middle East and Africa was split into Britain & Ireland and Middle East & Africa. Asia Pacific was split into Asia and Pacific. The Americas was split into North America and South America. Europe was unchanged. The Group has re-presented its segmental analysis for the comparative 2008 financial information to represent the new Business Unit structure. Comments on the Group and segmental performances in the commentaries on pages 4 to 10 are made on the continuing business, excluding discontinued operations. Comments on movements in revenue, underlying profit from operations and margins are made on a constant exchange rate basis. In the first half of 2009, movements in exchange rates, primarily the Euro and US Dollar increased continuing Group Revenue by 10%, and Underlying Operating Profit by 16% and proforma Underlying EPS by 12%. The contribution from acquisitions and disposals during the period equates to the first twelve months' impact of businesses acquired or disposed of in the current and prior year. Once an acquisition or disposal has lapped its acquisition date then it is included within the base business results.

Condensed Consolidated Income Statements for the 6 months ended 30 June 2009 and 30 June 2008

	Notes	**2009 Half Year unaudited £m**	2008 Half Year re-presented unaudited £m
Continuing Operations			
Revenue		**2,767**	**2,440**
Trading costs		(2,462)	(2,226)
Restructuring costs	2	(105)	(70)
Non-trading items	3	1	(6)
Profit from operations		**201**	**138**
Share of result in associates		3	4
Profit before financing and taxation		**204**	**142**
Investment revenue	4	18	28
Finance costs		(110)	(36)
Profit before taxation		**112**	**134**
Taxation	5	(33)	26
Profit for the period from continuing operations		**79**	**160**
Discontinued operations			
Profit/(loss) for the period from discontinued operations	8	234	(47)
Profit for the period		**313**	**113**
Attributable to:			
Equity holders of the parent		**313**	**113**
Minority interests		-	-
		313	**113**
Earnings per share from continuing and discontinued operations			
Basic	7	23.1p	6.0p
Diluted	7	23.1p	6.0p
From continuing operations			
Basic	7	5.8p	8.5p
Diluted	7	5.8p	8.5p

In accordance with IFRS 5, the 2008 half year Income Statement, Statement of Recognised Income and Expense and related notes have been re-presented following the disposal of Australia Beverages (see Note 8).

Condensed Consolidated Statements of Recognised Income and Expense for the 6 months ended 30 June 2009 and 30 June 2008

	2009 Half Year unaudited £m	2008 Half Year re-presented unaudited £m
Currency translation differences (net of tax)	(431)	108
Actuarial losses on post retirement benefit obligations (net of tax)	(190)	(122)
Net (expense)/income recognised directly in equity	**(621)**	**(14)**
Profit for the period from continuing operations	79	160
Profit/(loss) for the period from discontinued operations	234	(47)
Total recognised income and expense for the period	**(308)**	**99**
Attributable to:		
Equity holders of the parent	(308)	99
Minority interests	-	-
	(308)	**99**

Condensed Consolidated Balance Sheets at 30 June 2009 and 31 December 2008

	Notes	2009 Half Year unaudited £m	2008 Full Year re-presented[1] £m
ASSETS			
Non-current assets			
Goodwill		2,081	2,288
Acquisition intangibles		1,457	1,598
Software and other intangibles		103	87
Property, plant and equipment	10	1,659	1,761
Investment in associates		31	28
Deferred tax assets		220	181
Retirement benefit asset		-	17
Trade and other receivables		42	28
Other investments		2	2
		5,595	**5,990**
Current assets			
Inventories		849	767
Short-term investments		98	108
Trade and other receivables		923	1,067
Tax recoverable		46	35
Cash and cash equivalents		266	390
Derivative financial instruments		120	268
		2,302	**2,635**
Assets held for sale		2	270
TOTAL ASSETS		**7,899**	**8,895**
LIABILITIES			
Current liabilities			
Trade and other payables		(1,345)	(1,551)
Tax payable		(181)	(328)
Short term borrowings and overdrafts		(729)	(1,189)
Short term provisions		(163)	(150)
Obligations under finance leases		(1)	(1)
Derivative financial instruments		(90)	(169)
		(2,509)	**(3,388)**
Non-current liabilities			
Trade and other payables		(25)	(61)
Borrowings		(1,396)	(1,194)
Retirement benefit obligation		(482)	(275)
Tax payable		(10)	(6)
Deferred tax liabilities		(155)	(121)
Long term provisions		(234)	(218)
Obligations under finance leases		(1)	(1)
		(2,303)	**(1,876)**
Liabilities associated with assets classified as held for sale		-	(97)
TOTAL LIABILITIES		**(4,812)**	**(5,361)**
NET ASSETS		**3,087**	**3,534**
EQUITY			
Share capital	11	137	136
Share premium account		60	38
Other reserves		413	850
Retained earnings		2,470	2,498
Equity attributable to equity holders of the parent		**3,080**	**3,522**
Minority interest		7	12
TOTAL EQUITY		**3,087**	**3,534**

1 The prior period balance sheet, cash flow statement and related notes have been re-presented to reclassify certain amounts between cash and cash equivalents and short term investments (see note 1).

Condensed Consolidated Cash Flow Statements for the 6 months ended 30 June 2009 and 30 June 2008

	Notes	2009 Half Year unaudited £m	2008 Half Year re-presented[1] unaudited £m
Net cash (outflow)/inflow from operating activities	14	**(130)**	**(2)**
Investing activities			
Dividends received from associates		-	-
Proceeds on disposal of property, plant and equipment		6	4
Purchases of property, plant & equipment and software		(167)	(218)
Americas Beverages separation costs paid		-	(60)
Americas Beverages net cash and cash equivalents demerged		-	(63)
Acquisitions of businesses and associates		(11)	14
Sale of investments, associates and subsidiary undertakings		532	51
Overdraft/(cash) removed on disposal		2	(4)
Movement in equity investments and money market deposits		8	(121)
Net cash generated from/(used in) investing activities		**370**	**(397)**
Financing activities			
Dividends paid		(148)	(222)
Capital element of finance leases repaid		-	(21)
Proceeds on issues of ordinary shares		23	32
Net movement of shares held under Employee Trust		(12)	1
Proceeds of new borrowings		3,242	2,846
Borrowings repaid		(3,389)	(2,410)
Net cash (used in)/generated from financing activities		**(284)**	**226**
Net decrease in cash and cash equivalents		**(44)**	**(173)**
Opening net cash and cash equivalents – total Group		238	372
Effect of foreign exchange rates		(6)	4
Closing net cash and cash equivalents		**188**	**203**

[1] The prior period balance sheet, cash flow statement and related notes have been re-presented to reclassify certain amounts between cash and cash equivalents and short term investments (see note 1).

Net cash and cash equivalents in the continuing Group include overdraft balances of £78 million (HY08: £82 million). There are no cash and cash equivalents included in assets held for sale.

Condensed Consolidated Statements of Changes in Equity for the 6 months ended 30 June 2009 and 30 June 2008

	Share capital £m	Share capital beverages £m	Share premium £m	Capital redemption reserve £m	Demerger Reserve £m	Hedging and Translation reserve £m	Acquisition reval'n reserve £m	Retained earnings £m	Total £m
At 1 January 2008	264	-	1,225	90	-	(139)	45	2,677	4,162
Recognised income and expense for the period	-	-	-	-	-	108	-	(9)	99
Unwind of acquisition revaluation reserve	-	-	-	-	-	-	(3)	3	-
Credit from share based payment and movement in own shares	-	-	-	-	-	-	-	10	10
Shares issued – Cadbury Schweppes plc	1	-	15	-	-	-	-	-	16
Dividends paid	-	-	-	-	-	-	-	(222)	(222)
Scheme of arrangement	6,765	3,805	-	-	(10,570)	-	-	-	-
Capital reduction	(6,630)	(3,805)	-	-	10,435	-	-	-	-
Elimination of Cadbury Schweppes plc reserves	(265)		(1,240)	(90)	1,637	-	(42)	-	-
Demerger of Americas Beverages	-	-	-	-	(1,091)	-	-	-	(1,091)
Transfer of own shares in DPSG to investment	-	-	-	-	-	-	-	16	16
Shares issued – Cadbury plc	1	-	15	-	-	-	-	-	16
At 30 June 2008 (unaudited)	**136**	**-**	**15**	**-**	**411**	**(31)**	**-**	**2,475**	**3,006**
At 1 January 2009	**136**	**-**	**38**	**-**	**409**	**441**	**-**	**2,498**	**3,522**
Recognised income and expense for the period	-	-	-	-	-	(431)	-	123	(308)
Credit from share based payment and movement in own shares	-	-	-	-	-	-	-	(6)	(6)
Disposal of Australia Beverages	-	-	-	-	-	(6)	-	-	(6)
Acquisition of minority interest	-	-	-	-	-	-	-	3	3
Dividends paid	-	-	-	-	-	-	-	(148)	(148)
Shares issued – Cadbury plc	1	-	22	-	-	-	-	-	23
At 30 June 2009 (unaudited)	**137**	**-**	**60**	**-**	**409**	**4**	**-**	**2,470**	**3,080**

Segmental Reporting

Business segment analysis

2009 Half Year (unaudited)	Reported measures Revenue	Profit/(loss) from operations	Operating margin	Segment measures Revenue	Underlying profit from operations	Underlying margin
	£m	£m	%	£m	£m	%
Britain and Ireland	635	39	6.1	635	79	12.4
Middle East and Africa	211	21	10.0	211	22	10.4
Europe	507	(34)	(6.7)	507	26	5.1
North America	648	129	19.9	648	135	20.8
South America	213	43	20.2	213	42	19.7
Pacific	352	47	13.4	352	47	13.4
Asia	198	20	10.1	198	20	10.1
	2,764	**265**	**9.6**	**2,764**	**371**	**13.4**
Central	3	(64)	n/a	3	(52)	n/a
Profit from operations	**2,767**	**201**	**7.3**	**2,767**	**319**	**11.5**

Reconciliation of profit from operations and profit before taxation to underlying performance measure

2009 Half Year (unaudited)	Reported Performance	Reversal of restructuring costs	Reversal of amortisation and impairment of intangibles	Reversal of non-trading items	IAS 39 adjustment	Underlying profit from operations
	£m	£m	£m	£m	£m	£m
Britain and Ireland	39	29	-	-	11	79
Middle East and Africa	21	1	-	-	-	22
Europe	(34)	54	1	-	5	26
North America	129	2	1	-	3	135
South America	43	1	-	-	(2)	42
Pacific	47	6	-	(1)	(5)	47
Asia	20	-	-	-	-	20
Central	(64)	12	-	-	-	(52)
Profit from operations	**201**	**105**	**2**	**(1)**	**12**	**319**
Share of result in associates	3	-	-	-	-	3
Financing	(92)	2	-	8	22	(60)
Profit before taxation	**112**	**107**	**2**	**7**	**34**	**262**

Reconciliation from reported to underlying earnings & earnings per share

2009 Half year (unaudited)	Earnings Continuing £m	Discontinued £m	Total £m	Earnings per share Continuing pence	Discontinued pence	Total pence
Reported	**79**	**234**	**313**	**5.8**	**17.3**	**23.1**
Reversal of:						
Restructuring costs*	107	-	107	7.9	-	7.9
Amortisation and impairment of intangibles	2	-	2	0.1	-	0.1
Non-trading items	7	-	7	0.5	-	0.5
Profit on disposal	-	(301)	(301)	-	(22.2)	(22.2)
IAS 39 adjustment	34	1	35	2.5	0.1	2.6
Tax effect on the above**	(40)	68	28	(2.9)	5.0	2.1
Underlying	**189**	**2**	**191**	**13.9**	**0.2**	**14.1**

An explanation of the reconciling items between reported and underlying performance measures is included in Note 1(d).

* Restructuring costs are made up of £105 million for continuing operations and £2 million relating to the unwind of discounts on provisions recognised within continuing financing costs.

** Also includes tax arising on certain intra-Group reorganisations and disposals (Note 8) and other non-underlying tax items (Note 6).

Segmental Reporting

Business segment analysis

2008 Half Year (re-presented[1]) unaudited	Reported measures			Segmental measures		
	Revenue £m	Profit from operations £m	Operating margin %	Revenue £m	Underlying profit from operations £m	Underlying margin %
Britain and Ireland	565	20	3.5	565	58	10.3
Middle East and Africa	168	9	5.4	168	10	6.0
Europe	496	17	3.4	496	35	7.1
North America	553	102	18.4	553	108	19.5
South America	196	37	18.9	196	37	18.9
Pacific	304	34	11.2	304	39	12.8
Asia	154	11	7.1	154	11	7.1
	2,436	**230**	**9.4**	**2,436**	**298**	**12.2**
Central	4	(92)	n/a	4	(61)	n/a
Profit from operations	**2,440**	**138**	**5.7**	**2,440**	**237**	**9.7**

1 The Group has re-presented its segmental analysis for the comparative 2008 financial information to represent the new Business Unit structure to reflect the way the Chief Operating Decision Maker reviews the results of the operating segments.

Reconciliation of profit from operations and profit before taxation to underlying performance measure

2008 Half Year (re-presented) unaudited	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
Britain and Ireland	20	12	-	7	19	58
Middle East and Africa	9	1	-	-	-	10
Europe	17	16	1	-	1	35
North America	102	4	1	-	1	108
South America	37	2	-	(1)	(1)	37
Pacific	34	4	-	-	1	39
Asia	11	-	-	-	-	11
Central	(92)	31	-	-	-	(61)
Profit from operations	**138**	**70**	**2**	**6**	**21**	**237**
Share of result in associates	4	-	-	-	-	4
Financing	(8)	-	-	-	(21)	(29)
Profit before taxation	**134**	**70**	**2**	**6**	**-**	**212**

Reconciliation from reported to underlying earnings and earnings per share

2008 Half year (re-presented) unaudited	—Earnings—			—Earnings per share—		
	Continuing £m	Discontinued £m	Total £m	Continuing pence	Discontinued pence	Total pence
Reported	**160**	**(47)**	**113**	**8.5**	**(2.5)**	**6.0**
Reversal of:						
Restructuring costs*	70	4	74	3.8	0.2	4.0
Amortisation and impairment of intangibles	2	8	10	0.1	0.4	0.5
Non-trading items	6	(1)	5	0.3	-	0.3
Demerger/Disposal costs***	-	116	116	-	6.2	6.2
IAS 39 adjustment	-	(4)	(4)	-	(0.3)	(0.3)
Tax effect on the above items**	(88)	11	(77)	(4.7)	0.6	(4.1)
Underlying	**150**	**87**	**237**	**8.0**	**4.6**	**12.6**

An explanation of the reconciling items between reported and underlying performance measures is included in Note 1(d).

* Restructuring costs are made up of £70 million for continuing operations and £4 million for discontinued operations.

** Also includes tax arising on certain intra-Group reorganisations – see Note 8.

*** Includes £18 million of non-underlying financing fees associated with the demerger.

1. GENERAL INFORMATION AND ACCOUNTING POLICIES

(a) The financial information included within the half year financial report has been prepared using accounting policies including presentation consistent with International Financial Reporting Standards (IFRSs) as issued by the IASB and endorsed by the European Union. The condensed set of financial statements included in this half year financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting", as issued by the IASB and adopted by the European Union.

The interim condensed consolidated information has been prepared on the basis of accounting policies consistent with those applied in the consolidated financial statements of Cadbury plc for the year ended 31 December 2008 which are available on the Group's website www.cadbury.com except for the following standards and interpretations, effective for the first time in the current financial year. The following standards and interpretations, issued by the IASB or IFRIC, have been adopted by the Group since 1 January 2009 with no significant impact on its consolidated results or financial position:

Amendment to IFRS 1 – First time adoption of International Financial Reporting Standards
Amendment to IFRS 2 – Share-based payments
Amendment to IFRS 7 – Financial Instruments: disclosures
Amendment to IAS 27 – Consolidated and separate financial statements
Amendment to IAS 32 – Financial Instruments: presentation
Amendment to IAS 39 – Financial Instruments: recognition and measurement
IFRIC 13 – Customer loyalty programmes
IFRIC 15 – Arrangements for the construction of real estate
IFRIC 16 – Hedges or a net investment in a foreign operation
IFRIC 18 – Transfers of assets from customers
Amendment to IFRIC 9 – Reassessment of Embedded Derivatives

IAS 1 (Revised) requires the presentation of a statement of changes in equity as a primary statement, separate from the Income Statement and Statement of Recognised Income and Expense. As a result, a condensed consolidated statement of changes in equity has been presented as a primary statement.

The Group has also adopted the amendment to IAS 23 - Borrowing costs, requiring capitalisation of borrowing costs on qualifying capital expenditure incurred on significant projects that commenced after 1 January 2009. The amount of borrowing costs capitalised in the period was not significant.

The Group previously adopted IFRS 8 "Operating Segments", in advance of its effective date, with effect from 1 January 2008.

Following clarification of the Group's presentational accounting policy, the Group has reclassified certain amounts between cash and cash equivalents and short term investments to ensure consistency of policy across the Group. This has resulted in the reclassification on the balance sheet and in the cash flow statement of £139 million previously reported as short term investments at 31 December 2008 as cash and cash equivalents, £73 million previously reported as short term investment at 30 June 2008 as cash and cash equivalents and £77 million previously reported as cash and cash equivalents as short term investments at 31 December 2007. There is no impact on net debt, the Group's measure of liquidity, profit, current assets, total assets, shareholders' equity and cash flow from operations.

The Group has applied the amendments to IAS 38 "Intangible assets" to its advertising and promotional expenditures effective for annual periods beginning on or after 1 January 2009, including the clarification of when a company recognises expenditure incurred in respect of the supply of goods and of services associated with advertising and promotional expenditure (para 69). As a result, advertising costs will now be recognised upon completion of the service rendered and costs of samples and catalogues will be recognised upon receipt or production of the goods. The Group has considered the need for retrospective application of this amendment but has concluded that this is not necessary on the grounds of materiality. As an illustration, if the amendment had been applied retrospectively re-presented profit from continuing operations for the six months to 30 June 2008 would be £4 million higher, £2 million higher for the year to 31 December 2008 and £2 million higher for the six months to 30 June 2009.

The directors have considered the principal risks and uncertainties affecting the Group and its performance in the second half and determined that those discussed in the Group's published accounts for the year ended 31 December 2008 remain relevant. These risks include external risks (including competition, customer consolidation and raw material prices); internal risks (including product quality and safety); execution risks (including execution of our Vision into Action programme) and financial risks (including interest rate and foreign currency fluctuations).

(b) Going concern

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 Group's interim financial statements.

(c) The half yearly financial report (included on pages 13 — 30) is unaudited and was approved by the Board of Directors on 28 July 2009. The financial information for the year ended 2008 does not constitute statutory accounts, as defined in section 435 of the Companies Act 2006. The full year 2008 financial information is derived from the statutory accounts for that year, re-presenting cash and cash equivalents and short term investments (as set out above). A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) Companies Act 2006.

(d) Use of underlying measures

Cadbury believes that underlying profit from operations, underlying profit before tax, underlying earnings and underlying earnings per share provide additional information on underlying trends to shareholders. These measures are used by Cadbury for internal performance analysis and are considered by the Remuneration Committee in determining 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, IFRS measurements of profit.

The adjustments made to reported profit 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 a non-underlying restructuring cost;
- Amortisation and impairment of intangibles—under IFRS, the Group continues to amortise certain short-life acquisition intangibles and also recognises, from time to time, impairments of goodwill which have arisen on previous acquisitions. This amortisation and impairment is not considered to be reflective of the underlying trading of the Group. The Group performs a detailed impairment review annually and reviews for indicators of impairment on an interim basis. Management has updated its impairment review at the half-year and there were no significant impairment indicators identified that would result in carrying value exceeding the recoverable amount for either brands or goodwill. The First brand, acquired as part of the Intergum acquisition in 2007, which showed limited headroom at 31 December 2008, has performed in line with management's expectations in the current period;

- Non-trading items – 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 continuing operations. Whilst the income or cost stream of these items is considered to be underlying in value any profit or loss realised on the ultimate disposal is not considered to be an underlying profit item. In addition, the interest charges relating to tax or indemnity provisions arising on demergers and disposals are reported as non-underlying finance costs if the associated provision resulted from a non-underlying charge;
- IAS 39 adjustments – fair value accounting – under IAS 39, the Group seeks to apply hedge accounting to its various hedge relationships, (principally under commodity contracts, foreign exchange forward contracts and interest rate swaps) where it is permissible under the rules of IAS 39 and practical to do so. Due to the nature of its hedging arrangements, in a number of circumstances the Group is unable to apply hedge- accounting to the arrangements. The Group continues, however, to enter into these arrangements as they provide certainty or active management of the commodity prices affecting 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 despite the inability to apply hedge accounting and therefore will continue internally to manage the performance of the business and incentives and reward success on this basis. The effect of not applying hedge accounting under IAS 39 means that the reported results reflect the actual rate of exchange, interest rate or commodity price ruling on the date of a transaction regardless of the cash flow paid by the Group at the predetermined rate of exchange, interest rate or commodity price. In addition, any gain or loss accruing on open contracts at a reporting period end is recognised in the result for the period (regardless of the actual outcome of the contract on close-out). Whilst the impacts described above could be highly volatile depending on movements in exchange rates or commodity prices, this volatility will not be reflected in the cash flows of the Group, which will be based on the fixed or hedged rate. The adjustment made by the Group therefore is to report its underlying performance on the internal measure described above;
- 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 a 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. There are no exceptional items in the current period. In 2008, the exceptional items relate to significant transaction costs, including one-off financing fees, as a result of the separation of Americas Beverages, which have been classified outside underlying earnings and included within loss for the period from discontinued operations; and
- Taxation – the tax impact of the above items are also excluded in arriving at underlying earnings. In addition, from time to time there may be tax items which as a consequence of their size and nature are excluded from underlying earnings including the tax impact of reorganisations undertaken in preparation for the separation of Americas Beverages, the disposal of Australia Beverages and significant one-off settlements or provision increases in the period (see note 6).

(f) Segmental analysis

From 1 January 2009, the Group was reorganised into seven Business Units. Britain, Ireland, Middle East and Africa (BIMA) was split into two Business Units; Britain & Ireland and Middle East & Africa, Asia Pacific was split into Asia and Pacific, Americas was split into North America and South America and Europe remains unchanged. Business units manage the segments as strategic 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.

(g) Retirement benefit obligations

The Group has updated its accounting for pensions under IAS 19 as at 30 June 2009. This involved reviewing and updating the assumptions considered appropriate at the 2008 year end including updating for changes in market rates and updating for the actual return on assets.

The £254 million pre-tax actuarial loss recognised in the Statement of Recognised Income and Expense is primarily due to an increase in the UK inflation assumption.

2. RESTRUCTURING

During the first half of 2009, the continuing Group incurred £105 million (HY08: £70 million) of restructuring costs. The majority of this, £91 million (HY08: £48 million), related to the Group’s Vision into Action programme to drive efficiencies throughout the Group and achieve the Group’s mid-teen margin goal.

Costs of £1 million (HY08: £14 million) relating to the separation of Confectionery from the Americas and Australia Beverages businesses has also been included as restructuring. A further £13 million (HY08: £5 million) has been incurred relating to integration costs associated with previous acquisitions. Restructuring costs relating to discontinued operations are disclosed in note 8.

3. NON-TRADING ITEMS

During the first half of 2009, the continuing Group recorded a gain from non-trading items of £1 million (HY08: loss of £6 million). This comprises principally of £1 million profit on sale of intellectual property.

4. INVESTMENT REVENUE

	2009 unaudited £m	2008 unaudited re-presented £m
Interest on bank deposits	18	12
Post retirement employee benefits	-	16
Investment revenue	**18**	**28**

5. TAXATION

The effective tax rate for the 2009 half year is 29.5% (HY08: -19.4%)

6. DIVIDENDS

	2009 unaudited £m	2008 unaudited £m
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 December 2008 of 11.1p (31 December 2007 of 10.5p) per share	148	222
Half year dividend for the year ended 31 December 2008 of 5.3p per share	-	-
	148	**222**

At 30 June 2009 the 2009 half year dividend of 5.7p per share had not been declared to equity holders and as such was not included as a liability. The expected cash payment in respect of the half year dividend for the half year ended 30 June 2009 is £77 million.

7. EARNINGS PER SHARE

(a). Basic EPS – Continuing and Discontinued

The reconciliation between Reported and Underlying EPS, and between the earnings figures used in calculating them, is as follows:

	Half Year (unaudited)			
	Earnings		EPS	
	2009 £m	2008 £m	2009 pence	2008 pence
Reported – Continuing and Discontinued	**313**	**113**	**23.1**	**6.0**
Restructuring costs*	107	74	7.9	4.0
Amortisation and impairment of acquisition intangibles	2	10	0.1	0.5
Non-trading items	7	5	0.5	0.3
Profit on Disposal	(301)	-	(22.2)	-
Demerger and disposal costs**	-	116	-	6.2
IAS 39 adjustment	35	(4)	2.6	(0.3)
Effect of tax on above items***	28	(77)	2.1	(4.1)
Underlying – Continuing and Discontinued	**191**	**237**	**14.1**	**12.6**

* Restructuring costs are made up of £105 million (HY08: £70 million) for continuing operations, £nil (HY08: £4 million) for discontinued operations and £2 million (HY08: £nil) relating to the unwind of discounts on provisions recognised within financing costs.

** Includes £nil (HY08: £18 million) of non-underlying financing fees associated with the demerger.

*** Effect of tax on above items includes £nil (HY08: £34 million) relating to certain reorganisations carried out in preparation for the demerger of Americas Beverages and a £69 million charge (HY08: £nil) relating to the disposal of Australia Beverages. In addition, the Group has progressed tax matters with a number of authorities resulting in a net non-underlying tax credit of £10m in 2009 consisting of a net £71m credit relating to UK tax matters and a £61m charge relating to tax matters in a number of overseas jurisdictions.

(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 earnings are set out below:

	2009 unaudited pence	2008 unaudited pence
Diluted Reported – Continuing and Discontinued	**23.1**	6.0
Diluted Underlying – Continuing and Discontinued	**14.1**	12.5

A reconciliation between the shares used in calculating Basic and Diluted EPS is as follows:

	2009 unaudited million	2008 unaudited million
Average shares used in Basic EPS calculation	1,356	1,875
Dilutive share options outstanding	1	14
Shares used in diluted EPS calculation	1,357	1,889

(c). Continuing Operations EPS

	Half Year unaudited			
	Earnings		EPS	
	2009 £m	2008 re-presented £m	2009 pence	2008 re-presented pence
Reported – Continuing Operations	**79**	**160**	**5.8**	**8.5**
Restructuring costs*	107	70	7.9	3.8
Amortisation and impairment of acquisition intangibles	2	2	0.1	0.1
Non-trading items	7	6	0.5	0.3
IAS 39 adjustment	34	-	2.5	-
Effect of tax on above items**	(40)	(88)	(2.9)	(4.7)
Underlying – Continuing Operations	**189**	**150**	**13.9**	**8.0**

* Restructuring costs is made up of £105 million (HY08: £70 million) for continuing operations and £2 million (HY08: £nil) relating to the unwind of discounts on provisions recognised within financing costs.

** Effect of tax on above items, includes £nil (HY08: £63 million credit) relating to certain reorganisations carried out in preparation of the demerger of Americas Beverages. In addition, the Group has progressed tax matters with a number of authorities resulting in a net non-underlying tax credit of £10m in 2009 consisting of a net £71m credit relating to UK tax matters and a £61m charge relating to tax matters in a number of overseas jurisdictions.

Diluted Continuing EPS has been calculated based on the Reported Continuing and Underlying Continuing Earnings amounts above. The diluted reported and underlying earnings from continuing operations are set out below:

	2009 unaudited pence	2008 unaudited re-presented pence
Diluted Reported – Continuing Operations	**5.8**	**8.5**
Diluted Underlying – Continuing Operations	**13.9**	**7.9**

8. DISCONTINUED OPERATIONS

On 7 May 2008, the Group completed the demerger of its Americas Beverages business and on 3 April 2009, the Group completed the disposal of the Australia Beverages business to Asahi Breweries of Japan. In accordance with IFRS 5, “Non-current assets held for sale and discontinued operations” these businesses are classified as discontinued. The 2008 half year comparatives have been re-presented on a consistent basis to present Australia Beverages as a discontinued operation. The results attributed to discontinued operations in 2008 includes an allocation of the Group’s interest charge relating to the debt funding which was demerged with the Americas Beverages business.

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

	2009 Half Year unaudited £m	2008 Half Year unaudited re-presented £m
Revenue	**102**	**1,164**
- Americas Beverages	-	951
- Australia Beverages	102	213
Trading costs	(99)	(1,005)
Restructuring costs	-	(4)
Non-trading items	-	1
Profit from operations	**3**	**156**
- Americas Beverages	-	146
- Australia Beverages	3	10
Profit before financing and taxation	**3**	**156**
Finance costs *	(1)	(45)
Profit before taxation	**2**	**111**
Taxation	-	(44)
Profit on disposal	301	-
Disposal and demerger costs	-	(98)
Tax on profit on disposal, disposal costs and demerger costs	(69)	(16)
Net profit/(loss) attributable to discontinued operations	**234**	**(47)**

* Includes £nil (HY08: £18 million) of non-underlying financing fees associated with the Americas Beverages demerger.

(b) The major classes of assets and liabilities comprising the Australia Beverages business on disposal are as follows:

	Australia Beverages 3 April 2009 £m
ASSETS	
Non-current assets	
Goodwill and acquisition intangibles	19
Software intangibles	13
Property, plant & equipment	114
Deferred tax assets	4
	150
Current assets	
Inventories	22
Trade and other receivables	68
	90
TOTAL ASSETS	**240**
LIABILITIES	
Current liabilities	
Trade and other payables	(54)
Short term borrowings and overdrafts	(2)
	(56)
Non-current liabilities	
Long term provisions	(2)
	(2)
TOTAL LIABILITIES	**(58)**
NET ASSETS	**182**

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

	2009 Half Year unaudited £m	2008 Half Year Unaudited re-presented £m
Net cash flows (used in)/from operating activities	(6)	26
Net cash flows from/(used in) investing activities	4	(189)
Net cash flows from financing activities	-	133
	(2)	**(30)**

9. ACQUISITIONS

2009

During the period from 1 January 2009 to 30 June 2009 the Group made no significant acquisitions.

10. PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2009, the Group purchased property, plant and equipment of £132 million (HY08: £192 million,) and disposed of property, plant and equipment with a net book value of £5 million (HY08: £14 million).

11. SHARE CAPITAL AND RESERVES

During the period ended 30 June 2009, 5,126,960 ordinary shares of 10p were allotted and issued upon the exercise of share options. The nominal value of ordinary shares issued during the period ended 30 June 2009 was £0.5 million. There were no other changes in the issued ordinary share capital of the Company during the six months to 30 June 2009.

12. RECONCILIATION OF CASH FLOW FROM OPERATING ACTIVITIES

	2009 unaudited £m	2008 unaudited re-presented £m
Profit from operations – Continuing Operations	201	138
Profit from operations – Discontinued Operations	3	156
	204	**294**
Adjustments for:		
Depreciation, amortisation and impairment	108	137
Restructuring	(1)	(5)
Non-trading items	(1)	5
Post retirement benefits	1	1
Additional funding of past service pensions deficit	-	(18)
Share compensation taken to reserves	14	9
IAS 39 adjustments	12	22
Other non-cash items	1	(4)
Operating cash flows before movements in working capital	**338**	**441**
Increase in inventories	(130)	(159)
Decrease/(increase) in receivables	45	61
(Decrease)/increase in payables	(141)	(65)
Cash generated by operations	**112**	**278**
Interest paid	(80)	(116)
Interest received	15	11
Demerger financing costs	-	(53)
Income taxes paid – excluding disposals	(106)	(86)
Income taxes paid – disposals	(71)	(36)
Net cash (used in)/generated from operating activities	**(130)**	**(2)**

13. POST BALANCE SHEET EVENTS

There were no material events after the Balance Sheet date.

Exhibit 99.3

Risk Factors

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

Risks Related to the Nature of our Business

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks related to our structure and processes

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The main financial risks facing the Group are fluctuations in foreign currency, interest rate risk, availability of financing to meet the Group's needs and default by counterparties. Any of these financial risks may materially adversely impact the performance or financial condition of the Group. A detailed discussion of the Group's financial risks can be found on pages 52 to 56.[1]

[1] This refers to certain portions of the section of Cadbury's Annual Report on Form 20-F for the year ended December 31, 2008 entitled "Operating and Financial Review and Prospects", which section is not reproduced in, or incorporated by reference into, Kraft Foods Inc.'s Current Report on Form 8-K of which this exhibit forms a part.